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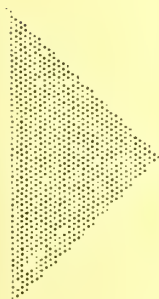
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PROCEEDINGS OF THE

CONFERENCE ON

FRUIT AND VEGETABLE

BARGAINING COOPERATIVES

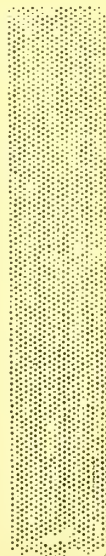


Edgewater Beach Hotel  
Chicago Illinois  
January 12 and 13, 1957

UNITED STATES DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service

Washington 25, D. C.







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## INTRODUCTION

This is a report of the proceedings of the first national Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Edgewater Beach Hotel, Chicago, Ill. on January 12 and 13, 1957.

The purpose of this Conference was to provide a forum for the discussion of mutual problems and to encourage the exchange of ideas to help bargaining cooperatives more effectively meet growers' needs.

The Conference was arranged and conducted by the Farmer Cooperative Service, U. S. Department of Agriculture, at the request of various fruit and vegetable bargaining cooperatives.

A total of 64 persons participated in the Conference. This included 38 persons representing 18 fruit and vegetable bargaining cooperatives; 6 from 5 land-grant colleges, 7 from 7 Farm Bureaus; 7 from the U. S. Department of Agriculture; and 6 others.

These proceedings include 14 speeches presented at the Conference, highlights of discussion periods, a list of participants, a resolution adopted at the close of the Conference and a list of the fruit and vegetable bargaining cooperatives known to have been organized by January 13, 1957.

Additional copies of these proceedings - in limited numbers - may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.



# PROGRAM

Saturday, January 12

- 12 noon - 2:00 p.m. Luncheon.....American Room
- Chairman . . . . . Joseph G. Knapp, Administrator  
Farmer Cooperative Service  
U. S. Department of Agriculture
- Words of Welcome. . . Homer Brinkley, Executive Vice-President  
National Council of Farmer Cooperatives  
Washington, D. C.
- Report on Survey of Fruit and Vegetable Bargaining Cooperatives ..  
Wendell M. McMillan, Marketing Division  
Farmer Cooperative Service  
U. S. Department of Agriculture
- Discussion
- 2:00 - 5:30 p.m. First Afternoon Session.....American Room
- Chairman . . . . . J. Kenneth Samuels, Director  
Marketing Division  
Farmer Cooperative Service  
U. S. Department of Agriculture
- How We Organized for Bargaining . .
- An established fruit bargaining cooperative  
Ralph B. Bunje, Manager  
California Canning Peach Association, Inc.  
San Francisco, Calif.
- An established vegetable bargaining cooperative  
A. W. Chambers, Secretary-Manager  
Utah State Canning Crop Association, Inc.  
Logan, Utah
- A group considering a bargaining cooperative  
W. J. Klotzbach, Executive Secretary  
Western New York Apple Growers Association  
Rochester, N. Y.
- Discussion
- How the Farm Bureau is Working with Bargaining Cooperatives . .
- John C. Datt, Director  
Fruit and Vegetable Department  
American Farm Bureau Federation  
Washington, D. C.
- Discussion
- Legal Problems in Organizing and Operating Bargaining Cooperatives . .
- Organizational and Contractual Aspects Under State Law  
Gerald D. Marcus, Attorney  
San Francisco, Calif.
- Considerations Involving Federal Law  
Raymond J. Mischler, Attorney  
Office of the General Counsel  
U. S. Department of Agriculture
- Discussion

Sunday, January 13

2:00 - 5:30 p.m.

Second Afternoon Session.....American Room

Chairman . . . . . Joseph G. Knapp, Administrator  
Farmer Cooperative Service  
U. S. Department of Agriculture

Economic-Marketing Information - Need and Use in Bargaining . .  
Sidney Hoos, Professor  
Giannini Foundation of Agricultural Economics  
University of California

Discussion

Financing Fruit and Vegetable Bargaining Cooperatives . .  
L. T. Powell, President  
California Freestone Peach Association, Inc.  
Modesto, Calif.

Discussion

Membership Problems of Bargaining Cooperatives . .  
Berkley I. Freeman, Manager  
Washington-Oregon Canning Pear Association, Inc.  
Yakima, Wash.

Discussion

Panel on Negotiating Problems and Techniques . .  
Chan Connolly, Manager  
Cannery Growers, Inc.  
Maumee, Ohio

J. L. Sullivan, President  
California Canning Peach Association, Inc.  
San Francisco, Calif.

Don Nesbitt, Director  
New York Canning Crop Growers Cooperative, Inc.  
Batavia, N. Y.

Cameron Girton, Manager  
California Canning Pear Association, Inc.  
San Francisco, Calif.

Discussion

Summary of the Conference . .  
Joseph G. Knapp, Administrator  
Farmer Cooperative Service  
U. S. Department of Agriculture

PARTICIPANTS IN THE CONFERENCE

Floyd W. Adair	Committee Chairman, South Cook County Tomato Growers, Route 23, Chicago Heights, Ill.
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N. W. Merrill	General Manager, Blue Lake Packers, Inc. Salem, Ore.
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Lewis P. Rider	Director, Great Lakes Cherry Producers Marketing Cooperative, Hart, Mich.

J. Kenneth Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
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Carroll Skinner	Secretary, Michigan Asparagus Growers Cooperative Assn. Laurence, Mich.
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J. L. Sullivan	President, California Canning Peach Assn., San Francisco, Calif.
Charles J. Telford	Manager, California Freestone Peach Assn., Modesto, Calif.
John Timpson	Secretary, Michigan Processing Apple Growers Assn., Lowell, Mich.
Raymond VanStraten	Director, Shiocton Bargaining Cooperative, Shiocton, Wis.
John Wetzel	Director, California Tomato Growers Assn., Woodland, Calif.
Frank Wing	Commodity Director, Wisconsin Farm Bureau Madison, Wis.



## REPORT ON SURVEY OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES

Wendell M. McMillan  
Marketing Division  
Farmer Cooperative Service, USDA  
Washington 25, D. C.

In recent years growers of fruits and vegetables for processing have become increasingly interested in cooperatives of the bargaining type. Not only has the number of associations continued to grow, but certainly the attendance at this Saturday afternoon session also attests to this interest in fruit and vegetable bargaining cooperatives.

The purpose of this report is to summarize some of the information obtained by the Farmer Cooperative Service for a project currently underway on fruit and vegetable bargaining cooperatives. By giving a general picture of the development and operation of these associations it is hoped that some useful background information and a starting point will be provided for the talks and discussions to follow this afternoon and tomorrow afternoon.

Many growers of fruits and vegetables for processing have found that, as individuals, they have relatively little bargaining power in dealing with canners for the sale of their crops. In contrast to national and even world-wide markets for some crops such as wheat, corn and butter, farmers sell canning crops in certain areas almost entirely on a local market where there is less play of competitive forces. Often there are only a few processors, or even just one, in their area to buy their crops. Because of the bulky and perishable nature of their crop, canning crop growers cannot store their crop or transport it long distances to other markets. Lack of knowledge of prices and terms in other producing areas also tends to put the growers at even more of a competitive disadvantage.

By organizing bargaining cooperatives, however, growers feel that, as a group, they can deal more effectively with processors, not only for price but also for other contract terms such as grading practices, unloading schedules, and grower payment practices. By bringing together under contract a large number of producers who agree that their produce shall be sold only through their association, the association obtains the power to bargain for the sale of a large quantity of the crop in a particular market, thus improving the growers' competitive position.

Besides helping growers, a bargaining cooperative can also bring benefits and stability to the entire industry. Processors can be more assured of a continuing supply of raw product, and with volume concentrated in a grower association, processors can realize a savings in field work and in contract signup. Quality improvement, disease and pest control, and improvement in cultural practices—all of which benefit the whole industry—can often best be done through the joint efforts of the processors and an organized growers' association. As members of a bargaining cooperative, growers become more aware of market trends and demands for their crops, as well as of processing and marketing costs. As a result, growers better understand that they need to adjust their production in line with consumer demand, and that the growers' price—while it shouldn't be lower—also cannot be higher than market conditions warrant.

Let us now take a look at the historical development of bargaining cooperatives in the processed fruit and vegetable industry. From the information we have available, it appears that growers of fruits and vegetables for processing first began using cooperatives of the bargaining type in the early 1920's. In 1921, cling peach growers organized the first fruit bargaining cooperative, the California Canning Peach Growers, Inc. This association, which was reorganized in 1936, is operating today as the California Canning Peach Association, Inc.

Among vegetable growers, it appears that the first such association was formed in Utah in 1924 when the Cache County Pea Growers Association, Inc. was organized. In 1934 this association federated with several other local vegetable bargaining cooperatives to form the Utah State Canning Crop Association, Inc. This pioneer vegetable association is currently operating on a state-wide basis in Utah and in portions of southern Idaho through its 11 local associations.

Although experience with fruit and vegetable bargaining cooperatives dates back for more than 30 years, it was not until about the period of World War II that interest in the bargaining type cooperative began to grow. And in the years since World War II this interest has grown at an increasing rate. Two associations were organized during the war period, and then--except for 2 years--at least one association was formed every year from 1945 through 1956. During the period 1945-49, five associations were organized--all of them vegetable associations. From 1950-54, four more associations were organized--three of them fruit associations. In the past two years--1955 and 1956--seven associations were formed--four by fruit growers and three by vegetable growers.

Thus at least 20 bargaining cooperatives are known to have been organized by fruit and vegetable growers through 1956. Of this total 8 are fruit associations and 12 vegetable associations. Included in this total are 2 associations that are formally organized and have negotiated with processors, but which are currently inactive. Also included are 3 associations that have been very recently organized and have not as yet negotiated with processors.

It should also be noted that in view of the increasing interest and organizing activity with this type of association it is quite possible that other similar associations have been formed which have not as yet come to our attention. For in addition to the 20 associations mentioned above which are known to have formally organized, at least 10 other grower groups are known to be considering the formation of bargaining associations--6 among fruit growers and 4 among vegetable growers. In fact, just last Thursday I heard of the formation of a tomato bargaining association by growers in Iowa and Illinois.

Thus in summarizing this development of bargaining cooperatives by fruit and vegetable growers we see that while the pioneer efforts go back at least 30 years, the main impetus and growth are of very recent origin. About one-third of the associations were organized in the 1940's, and over half during the first 6 years of the 1950's. Also, continued growth of this type of association is indicated by the relatively large number of other grower groups considering the formation of bargaining cooperatives.



Now let us take a look at some of the features of these organizations. First, where are they located? Approximately half of these bargaining associations are in the Pacific Coast States, and about one-third of them are in the East North Central and Middle Atlantic States. All of the fruit bargaining cooperatives are in California, Oregon, and Washington, except a newly organized association in Appalachia. The vegetable associations are spread from coast to coast with one on the East Coast, 7 surrounding the Great Lakes area, one along the Great Salt Lake, and 4 on the Pacific Coast.

What commodities do they bargain for? Among the fruit associations the commodities are cling peaches, freestone peaches, and Bartlett pears, with each association bargaining for only one fruit. Tomatoes and peas are the commodities most often bargained for by the vegetable associations, but also included are asparagus, cabbage, sweet corn, green beans, and beets. Two-thirds of the vegetable associations each bargain for 2 to 5 different vegetables.

Another measure of the extent to which these associations have developed is membership. It is estimated that at least 13,000 growers are members of fruit and vegetable bargaining cooperatives. Approximately 4,000 are members of fruit associations and 9,000 members of vegetable associations. These estimates do not include any associations that have recently organized but have not yet actively negotiated with processors.

Now, let us look at the organizational structure and operating methods of these bargaining associations. The following information is based largely on 5 fruit and 5 vegetable associations that have had considerable operating experience in their area.

The organizational setup of fruit and vegetable bargaining cooperatives is similar to that of many other cooperatives. Incorporating under the Co-operative Act of their States, the members set up bylaws and elect a board of directors. Board members, operating within the framework of the bylaws, establish policies and hire a manager to conduct the daily affairs of the association.

Usually the association is organized on a non-stock basis, although one vegetable association does use capital stock. While membership of each grower is held directly with the association, the area served by the bargaining cooperative is generally divided into districts and members elect directors from their district to represent them on the board. The vegetable association using capital stock, however, is of a federated type in which growers are members of local associations and the local, in turn, are members of the state association.

Most of the associations are organized and operated independently of any other organization. Many of the vegetable associations, though, have had assistance from State Farm Bureaus in organizing and a few are affiliated in varying degrees with their State Farm Bureau. Also, the 2 West Coast pear associations have formed a federation for the purpose of coordinating the marketing of canning pears on the whole West Coast. Two California associations handling cling peaches and Bartlett pears operate within the structure of marketing orders approved by growers and canners and issued by the California Department of Agriculture.



The usual requirement for membership in these bargaining associations is that a person be a producer of agricultural products, or in some cases, of the canning crops represented by the association. In addition to individual memberships, some of the fruit associations permit and have as members other cooperative associations.

Member control of all the vegetable associations and of one fruit association is exercised by means of one vote per member. The other four fruit associations permit voting on a tonnage basis, with the number of votes limited to 10 by one association and unlimited in the other three associations.

Board membership varies from 11 to 23 members, and board meetings are generally held monthly although during negotiations the boards may meet much more frequently. In varying degrees these bargaining associations use committees in conjunction with or in addition to the board of directors. Types of committees include-with varying terminology-executive, pricing, negotiating, advisory, and membership committees.

Except for 2 vegetable associations, members of a bargaining cooperative are required to sign a membership contract or agreement with the association in which the member appoints the association as the sole agent for the marketing or contracting for sale of all of certain canning crops grown by him or on his land. The contracts provide that the members each pay their pro rata share of the expenses incurred by the association in conducting its affairs, and that any net margins remaining at the end of the year also be prorated among the members.

Among other relations between the member and the association described in the membership contract are a provision allowing members to withdraw from the association during a certain period of time each year, and a provision requiring each member to notify the association in writing at a certain time each year of the amount of crops he expects to produce in the next season.

Besides negotiating with processors for the sale of members' crops, the association provides members with other services such as supervision of grading, unloading, stacking and weighing; checking on the financial responsibility of processors; and supplying members with information on both cultural practices and marketing conditions. The manager provides or assists in providing these services. In addition he continually solicits membership, maintains contacts with processors, and collects economic and marketing information needed by the association for its negotiations with processors. Since negotiating for the sale of members' crops is the nature of the association's business and no physical handling of the crop is involved, the number of employees is relatively small. One of the associations has no full-time employees, but instead a director handles these duties on a part-time basis. Most associations have a full-time manager, though, plus clerical help and possibly a fieldman. One association, however - the California Canning Peach Association - has 16 full-time employees and 4 part-time employees.

The capital needs of a bargaining cooperative are relatively smaller than those of a cooperative which physically handles the crop. Nevertheless, funds are needed, mainly for operating purposes such as wages, office space, membership funds -- both from commercial banks and from general farm



organizations -- have been used by some of the bargaining associations, mainly for organizational purposes and for operating expenses during the first years of operations. In general, this source of capital has not been used to any great extent.

Funds can be obtained from members through fees and dues, and through a fee or charge paid by each member to the association as his pro rata share of the expenses of the association.

While one of the vegetable associations depends on annual dues to supply the capital needed, this source is generally found to be inadequate and most associations use the check-off system.

With a check-off -- or scale-off, withholding, pro rata marketing expense -- to mention a few of the names used by various associations -- the member agrees to pay his proportionate share of the expenses incurred by the association in providing services to him. The amount paid is either a fixed amount per ton or per acre or a certain percentage of the total proceeds received by the grower for his crop. The canners deduct from each member's check the amount he owes to the bargaining association, and then forward the total amount deducted to the association.

In addition to the use of this check-off system, at least four fruit associations have developed another method of obtaining operating funds. Called a processor charge, the association is paid a certain amount per ton by each processor for the fruit obtained from the association. The rationale for this processor charge lies in the fact that by obtaining raw products from the association the processor is relieved of the trouble, labor and uncertainty of soliciting and obtaining separate contracts with individual growers.

To carry out the main business of the associations, namely negotiation with processors for the sale of members' canning crops, two methods of negotiating have been developed -- one characteristic of the fruit associations and one characteristic of the vegetable associations.

When the time arrives for negotiation of contract terms, the fruit associations ask processors to come individually to the association's office to discuss the general economic and marketing situation faced by their industry. Each processor is talked with individually and the discussions are of a general nature with no attempt to agree on a price.

After these discussions, the association's board of directors meets to consider the viewpoints expressed by the processors and to examine and evaluate all the other economic and marketing information their association's staff has assembled. On the basis of this information, plus the discussions with the processors, the board decides upon a price at which the association will sell the members' fruit to the processors. This price is immediately sent to all processors. If the price is accepted by a certain number of processors representing a certain percentage of the total tonnage offered by the association, the price becomes established. On the other hand, if the announced price is not accepted, the association board of directors reconsiders the situation and decides whether to hold firm on the original price or to make an adjustment downward.

The method of negotiating with processors by the vegetable bargaining co-operatives is somewhat different from that used by the fruit associations. When the time for contract negotiations arrives, the vegetable bargaining associations hold a series of meetings of members and directors at which they discuss the latest economic information available and growers express their attitudes regarding price and other terms to be negotiated.

Following these meetings, the cooperatives' bargaining committees negotiate with individual processing plants. The bargaining committees -- usually one committee for each major processor -- are composed of the manager and a director plus several growers in the area served by the processor. Through a series of meetings with the individual processors, the bargaining committees attempt to negotiate prices and terms that are acceptable to both the growers and the processors. When agreement is reached, the cooperative puts its stamp of approval on the processors' contracts. The processors' fieldmen then take the contracts to the member-growers for signature. If a contract is not approved, members are bound by their agreements with the association not to sign.

Of vital importance to the bargaining association's success in negotiating with processors is adequate economic and marketing information. This collection of data is carried on by all the associations but in varying degree. With some associations collection and analysis of data are of an elementary nature. Others use many advanced economic and market research techniques. This latter approach is especially characteristic of the West Coast fruit associations. Vegetable associations have been obtaining considerable marketing information through the help of the American Farm Bureau's Commodity Department.

In conclusion, it can be pointed out that many growers of fruit and vegetables for processing have found bargaining cooperatives to be useful marketing tools. However, growers must realize that there are many pitfalls in organizing and operating such associations and that an unsuccessful attempt may actually weaken their current position. Thus growers, before organizing, should carefully study both their marketing situation and the problems involved in organizing and operating a bargaining cooperative - problems such as will be discussed at this conference. For - from experience - growers have found that strong membership support is necessary for effective bargaining, and that constant collection and careful analysis of economic and marketing information is essential if a price is to be reached that will be satisfactory to the grower, the processor and the consumer.



## HOW WE ORGANIZED FOR BARGAINING - AN ESTABLISHED FRUIT BARGAINING COOPERATIVE

Ralph B. Bunje, Manager  
California Canning Peach Association  
San Francisco, California

The first organized bargaining association in cling peaches goes back a good many years. In fact, I believe it was some 30 years ago that the first peach bargaining association was formed. This association had operated for about 10 years when it got into some personnel difficulties. It was re-organized in 1936 and has, for the past 20 years, grown and prospered under the direction of the present sponsors.

The Association today controls approximately 42% of the total tonnage and nearly 60% of the available tonnage. It should be borne in mind that a substantial quantity of peaches in California are grown by the processors themselves and another substantial portion is handled by cooperative associations who process their own peaches.

The topic I have been assigned to talk with you about is how we organized for bargaining. Actually, what history I could find is not too clear. I think it can be pointed out that some of the problems the peach growers faced in the twenties are not unlike some of the problems that you who are interested in forming bargaining associations are facing today.

Peaches were a commodity that had one principal outlet -- 95% of those sold went to canneries. Growers discovered that the influences and factors which determined the price for cling peaches were frequently not even related to the basic laws of supply and demand.

Many other factors were involved -- such as the ability of the processors to finance their operations. There were such problems as "open price" contracts. Many processors were interested in preserving their own position on the market by paying different prices to different growers. Certainly the cling peach growers in those early days faced a very complicated and unfortunate situation. The results were that it was not too difficult to interest these growers in forming a bargaining association.

Unfortunately, the first association ran into difficulties and growers felt reorganization was necessary. A new organization was formed and that is the one which has operated during these past 20 years. We need to examine the nature of bargaining to learn why such organizations are formed in the first place.

In a profit system, the grower is as much entitled to earn a profit as the processor to whom he sells. One of the means by which he can assure himself of a reasonable profit, in most years, is by the development of a bargaining association such as ours.

There are some commodities that have considerable portions of their output handled by fully integrated cooperatives. Where such situations exist, naturally there is not the need for a bargaining association. There would be no place, for example, in the citrus industry in California where co-operatives handle a substantial portion of the total fruit in the State. Likewise, in the case of walnut growers or almond growers, or possibly prune growers. But where you do not have an integrated cooperative that is in itself a very strong factor in the field, then there may be a real place for a bargaining association.

Take our own case, for example. The fact that there is an organized bargaining association has been most helpful to the members of the integrated cooperative associations because the integrated cooperatives are able to return to their members more than a good price and not just more than a poor price. The market is stabilized through the operation of a bargaining association such as ours.

When the first association was formed, the need was so strong, and the desire on the part of the growers was so well expressed that there was enough leadership that they could go ahead.

A recently formed bargaining association is the California Canning Pear Association. While only a few years old, it has, nevertheless, made very fine progress. It has performed an outstanding job for the pear growers in California - in fact, on the West Coast. It is under the capable management of one of the people from whom you will hear today or tomorrow - Mr. Cameron Girton. I am going to tell you something about how they were organized because I fortunately had the pleasure of being associated with their development.

The California Canning Pear Association was fortunate in that they had a pear grower by the name of Mr. Jack Z. Anderson who is now an assistant to President Eisenhower. Jack Anderson had the courage, he had the interest, and he had the time to devote to the idea of developing a bargaining association among pear growers.

Jack used a device that I would like to tell you about: it was a chart we had prepared for our own members. It showed that the average per acre return to the growers of peaches was better than that received for Bartlett pears and apricots. Naturally, we had prepared the chart for our own use because it showed that as a result of the operation of the California Canning Peach Association the growers of cling peaches enjoyed a higher per acre return than the other growers. When Jack saw this chart he used it for his theme. He demonstrated, in this fashion, that organizing a bargaining association paid off for the growers. He visited every pear growing district in the State of California. He told his message and, as a result of this work, a form contract was prepared that in effect enabled a pear grower to say that when and if a certain minimum tonnage of canning pears had been signed up on similar contracts the organization would be formally organized.



Jack and some of the other pear growers then went to the Bank of America, in California. After explaining what they had in mind, explaining their objectives, and telling what they hoped to accomplish, they were able to get an advance from the Bank to start the organization. It wasn't long before a sufficient amount of tonnage was signed up, a manager was hired, the money borrowed from the Bank, and the California Canning Pear Association was in business.

The board of directors was then introduced to some of the difficult economic problems that go along with such an organization. They sat down with economists from the Giannini Foundation of Agricultural Economics, they learned about the influences that various economic conditions might have upon price, and they began to examine the importance of naming the best prices that could be justified by economic conditions. They began to think in terms of accurate appraisals of total supply that could be expected to be sold to processors; they sat down with individual processors and heard themselves castigated and praised and talked about, and in the end they came out with what they believed to be a reasonable price for their production.

They formed the contracts that were necessary and were able, over a period of years, to get them whipped into shape so they had an acceptable contract for both growers and canners, and today we find they are a well respected, well liked, and highly thought of organization. Certainly a great deal of credit goes to the people who had the perseverance, patience and interest to stay with it to see it to success.

A similar story can be told about the growth and development of the California Freestone Peach Association. Tony Powell, a farmer in the great Central Valley, took it upon himself, just as Jack Anderson did, to carry the message to freestone growers all over the State. Meetings were held, a minimum base was decided upon and when this was reached they were able to borrow the money from a bank to get into business. They hired a manager and now they, too, are a successful operating bargaining association.

This same story can be told of the Pear Association in the northwest and the Freestone Association in the northwest.

All of them started out with people devoted to the idea that they could be organized, people who were looking for the facts, people who were trying to do a real job for their commodity and for their fellow growers. Actually, it sounds easy but there was a lot of hard work on the part of these people in setting up these organizations.

I think it is most important to remind you that they didn't fool themselves. They were dealing with facts. They went to their customers and told them what they were going to do, how they intended to do it, pointed out to them that there were certain natural limitations upon what they could do. They knew they couldn't name prices for their commodities that would be inconsistent with the economics of today, but they felt they were entitled to a reasonable and fair price for their production.



Sure they had opposition. They had opposition from buyers, they had opposition from growers, they had opposition from many people, but, nevertheless, their basic idea was sound. They were striving to bring stability into the industry.

It has been our experience that most processors don't really want to pay low prices for the commodities they buy. They would like to pay growers reasonable prices, but put yourself in their position. A processor has to compete in the market place with other processors. You may be a processor capable, willing and intending to pay growers a fair and reasonable price but I may be your competitor. I may not have quite the good intentions you do. I am able, through circumstances, to buy my fruits or vegetables, perhaps in another area, at prices much lower than you can. Naturally, I am going to try to take some of your markets away from you so we find the situation in which this competitive relationship works back to the grower. Naturally, the canner who is losing the market is going to try to protect himself so he is forced to go out and buy his raw commodity at prices that are less than what he may have paid other growers.

We find then that influences come into play that cause the processors, in many cases, or buyers, to buy from some growers at good prices, other growers at just middling prices, and then they try to fill in the competitive problems by paying other growers distress prices.

This is not a constructive move, this is not something that makes it possible for many growers to operate at a profit. We find that bargaining associations can overcome this with uniform contracts. They can adopt uniform methods of dealing with buyers. They may become a factor in the market and, as a result, prevent a distressed market situation.

Our experience with bargaining associations shows they don't work against something, they work for something and that "for something" is to return a profit to the producer. In our own instance, we have come a long way. We are now supporting Marketing Orders under State laws that permit growers to take care of their surpluses. We have a comprehensive advertising and sales promotion program and a quality control program. All are operating under Marketing Orders and are administered by growers in cooperation with processors. Bargaining cooperatives make it possible for other growers to develop similar programs designed to maintain good and substantial prices for their commodities.

Summing up I would tell you this. Bargaining associations are not new, they are quite old. Many of the techniques now in use are new. The techniques, for example, that have been developed on the West Coast - such as term contracts under which we are able to market our commodity for a number of years without specifying a price. The idea of paying for our organization through the operation of Service Charges. All of these points I believe are helpful to us in our operations. It takes a lot of work and it takes a lot of skill. The idea, in some cases, has to overcome much opposition but if the need is there we can say to you who have not been through this that it can be done; it can be done in a most successful manner; and it must be done by the growers. The grower must fully and completely run his own organization.

HOW WE ORGANIZED FOR BARGAINING - AN ESTABLISHED VEGETABLE BARGAINING COOPERATIVE

A. W. Chambers, Secretary-Manager  
Utah State Canning Crop Association  
Logan, Utah

I am glad to have the opportunity to be at this conference and to discuss with you some of the work that we have done in Utah for our vegetable growers with a bargaining cooperative.

There are 31 canneries in the State of Utah that process fruits and vegetables, with a small percentage of them processing fruits. They are owned by 15 canning corporations. Many of them were developed during World War I and immediately thereafter as there was a great profit in this business during that period. However, many growers became dissatisfied with the prices, goods and services they received. This dissatisfaction grew to a point that, through the respective Farm Bureaus in the processing vegetable producing counties, committees were set up to study the processing vegetable situation and to meet with canners with a thought of improving their prices, grades, and services.

This committee arrangement was started in 1918. However, very limited results came from the effort that was put forth by the committees.

It was in 1922 that the Congress of the United States passed the Capper-Volstead Act which provided a legal right to set up collective bargaining associations or cooperative marketing associations. At about the same time similar laws were passed in the State of Utah which permitted growers of canning crops and other groups to form bargaining associations, labor associations, and teacher associations.

After sitting in state meetings with various county canning crops committees from 1918 to 1923, the County of Cache, in which I live, decided to incorporate a legal bargaining association and sign up as near 100 percent of our pea growers as possible so that the officers of the association could argue the case on prices, grades, and services with the canning company with a feeling that they were really representing the growers. This philosophy was new to most growers and we were unable to get over 65 percent of the growers signed on our membership contract and many of them were rather timid for fear that our Committee, including myself, might carry the fight for prices, grades, and services a little too far. The canning company officials were highly trained men and, at our first meetings during the winter of 1923 and 1924, more or less made monkeys out of us as we lacked economic information and sufficient support of our growers to convince the canner we meant what we said.

We knew that the canning company that operated in Cache County also operated a canning company in Morgan County where growers were unorganized. We also knew that our strength would be much greater if we could get the Morgan County canning crops growers to incorporate a bargaining association similar to ours. We were successful in getting this type of organization formed in that locality and also signing up 90 percent of their growers on a membership contract. We were also successful in increasing our membership in Cache County from 65% to 95%. During the early part of 1925 we had many meetings and exchanges of ideas through letters with canning company officials without the desired results.



By March 25, 1925, the land was getting dry enough to plant some of the early crops. The canning company officials could see that we had over 90 percent of the growers in the two factory districts they operated signed on our membership contract which gave our Committee authority to sell or contract for the sale of the growers' canning crops. They could also see the growers were sold on the principle that they had an investment in land and equipment and a know-how to produce canning crops; that the canning company had an investment in buildings and equipment and know-how to process and market these crops; and that there was a common ground on which to work together for the mutual good of each other. The canning company could also see that if they didn't seek to recognize these principles we would urge our growers to grow some other crop and let the canning company learn that growers could and would work together.

On March 25, 1925 our growers committee held a meeting in Ogden, Utah. A court reporter wrote 72 pages of minutes of our deliberations. The rather sound solution to our problem has been basic to our success and development since that time. The following points were recognized:

1. It was not the intent of the growers to ask impossible things of the canning company.
2. It was the request of the association officers that they be recognized as the legal authority to speak for their members on prices, grades, and services. This was granted by the canning company officials.
3. It was agreed that this proper recognition involved a requirement that every producer's contract to grow canning crops for the canning company provide a clause to authorize the canning company to deduct not in excess of 1 percent of the contract price and to pay it to the canning crops association. This deduction was to be used in the interest of the growers in obtaining economic information and to supervise the execution of the terms of the contract in the mutual interest of the two contracting parties.
4. It was agreed that the canning company would make no attempt hereafter to try to contract with the individual grower before they had exhausted their best efforts in dealing with the officers of the association, who had legal authority to represent the growers.

To think of these accomplishments today is very revealing particularly because of the fact that this type of program was so new to canners as well as to growers.

In the years 1926 to 1931 or 1932 it was my responsibility to help carry our program to six or seven other important canning crops counties in the State of Utah where associations were officially incorporated and nearly 90 percent of the growers signed on a membership contract. Even though we were not officially incorporated, representatives from the respective counties met in state meetings where proper officers were chosen to represent the growers before the individual canning companies on prices, grades, and services that growers should receive. In 1934 the various county legal units were



federated into the Utah State Canning Crops Association. From that date until this, no contracts between the individual canning companies and growers of peas, corn, tomatoes, snap beans, and cabbage for kraut have been signed until they have been properly cleared and have the approval of the Utah State Canning Crops Association and the stamp of the President.

The same basic philosophy that we started with 35 years ago has become a reality and I believe that the relationship between the canners of the State of Utah and the Utah State Canning Crops Association is recognized as good. In spite of our arguments and disagreements during our negotiation periods during the winter and early spring, we always come up with some sound solution to our problem.

We have a joint committee of canners and canning crop grower officials representing the industry on the research work that is conducted by our Agricultural Land Grant College and is later written into bulletin form. Two groups also work with the Extension Service in conducting short courses to disseminate the results of the research to our growers and the canner's fieldmen.

Since the Processing Vegetable Committee of the American Farm Bureau Federation was formed in 1945, we have helped in extending our canning crops bargaining philosophy to the states of New York, Ohio, Washington, and part of Oregon. We have worked some in the province of Ontario, Canada, and we have also helped growers in the State of California. We are very glad for the work that is being done in the State of New Jersey on the bargaining associations, which helps to extend the bargaining philosophy. It is my firm belief that all contract vegetable crops should be handled through a good bargaining association. It is our hope that at some future date all of the important canning crop states will form bargaining associations and then we could federate them into a national union where we could evaluate supply and demand figures, contract terms, and legislative programs affecting the industry and then the individual states could deal with their canning companies on prices, grades, and services.

It is my belief that the growers of canning crops in the United States have received from \$7 million to \$15 million more each of the past few years by reason of the bargaining associations and the exchange of information program than they would have received without them.

In Utah, at about this time of year, representatives of individual canning companies clear with me with respect to a time and place that we can meet to talk about prices, grades, and services for peas, corn, tomatoes, snap beans, and cabbage for kraut.

It is my responsibility, then, as Secretary of our group, to invite our grower representatives from each of the producing areas to a meeting of our grower group before meeting with the individual canners. That is so we can agree among ourselves on what the canning crop situation actually is, and what the prices, grades, and services ought to be for the individual grower's canning crops to be as profitable as other competing crops that can be grown on the farm.

We often find it is just as hard for growers to agree among themselves on policies as it is for the grower group to agree with the individual canners. We must always keep in mind that there are two sides to every question. We should take a look at all the facts, and try to be fair with each other on policies that are for the total good of the industry, rather than to take a radical stand, which incurs ill will and detracts from a conclusion on prices, grades, and services that are fair to grower and canner alike.

After the grower group has agreed on a policy, meetings are held with the individual canner. Points of view are exchanged, maybe at several different meetings, before final prices, grades, and services are agreed upon. After they are agreed upon, the growers' association in our state has the President place the stamp of approval of the association on all contracts before they are presented by the canning company to the individual grower for his signature.

To get the individual canner to recognize the canning crops association as a legal authority representing the growers requires that the officers of the canning crops association have as near 100 percent of the growers on a membership contract as possible. This shows the good faith they have in the officers of the association and the policies they follow.

It is also necessary that the officers of the canning crops association show to the membership, as well as the individual canning company officials, that they do not intend to be radical in their requests for fair prices, grades, and services. They must show that they intend to sell the individual canner on the growers' needs and on the fact that working together in solving problems of the canning industry makes for stability and good will rather than animosity.



HOW WE ORGANIZED FOR BARGAINING - A GROUP CONSIDERING A BARGAINING COOPERATIVE

W. J. Klotzbach, Executive Secretary  
Western New York Apple Growers Association  
Rochester, N. Y.

I consider it a real privilege to have the opportunity to talk with you this afternoon. I would particularly like to commend those responsible for this two-day meeting of bargaining association leaders. Much good will come from the interchange of ideas among the various commodity groups which are faced with problems that are very similar in nature. Thousands of dollars plus much time and energy can be saved by providing the opportunity for new groups interested in bargaining to take shortcuts based on the experience of others. We cannot afford today in working with any of our agricultural commodity groups to take them up too many dead-end streets.

A good many decisions today may be based on an idea or hunch of a particular person or particular group. I read an interesting article the other day. It was "What are hunches made of?" Columbus had a hunch the earth was round. Louis Pasteur had a hunch diseases don't come from bad air. The Wright Brothers had a hunch bicycles could fly. What's a hunch made of? Is it just a lucky random thought, out of nowhere? Don't you believe it. It's everything you know, everything you are, the distillation of all your years of experience, a million unconscious bits of knowledge.

Is there some special magic in a hunch? That depends on who's doing the hunching. Hitler had a hunch he was chosen to rule the world. Remember? A hunch is exactly as good as the man who has it. It all depends on what kind of materials and equipment he's working with.

A hunch is the birth of an idea. Never fear a creative hunch. You use a dozen of your own every day. Search into the four corners of the world for men of experience and human understanding. And when you've found them, listen to their hunches - listen well, for a hunch is exactly as good as the man who has it.

We in Western New York have a hunch - we need to listen to others with experience and understanding. That's one reason why we are here today.

Organized bargaining in Western New York with processors of apples and cherries has been considered before, but I think that a very serious marketing problem in connection with apples and cherries in the 1955 season, really stimulated interest in cooperative bargaining. Prices to growers were \$100 per ton for sour cherries and \$26 per ton for apples. This seriously affected not only Western New York growers but the other producing states.



The first step was taken in January 1956 at the New York State Horticultural Society meeting in Rochester. Out of this an industry meeting with representatives from each major apple producing region in the East was called for February 24 at Pittsburgh. Here the industry took its first constructive steps in analyzing just what was the problem. Areas represented included New England, Hudson Valley, Western New York, Michigan, Ohio, and the Appalachian States of Virginia, West Virginia, Maryland, and Pennsylvania.

The group agreed that marketing of eastern apples would be improved:

1. If the large volume now sold by growers not equipped for selling were sold by trained full-time salesmen.
2. If efficient salesmen had a large volume of apples of uniform pack to attract and hold today's buyers.
3. If sufficient storage were available to relieve early season congestion and hold customers throughout the season.
4. If growers organized to negotiate minimum prices for their apples with processors individually.

This last thought - organizing for bargaining - was the first break through. Growers were at last willing to set aside their individual differences and work cooperatively in attempting to solve their problem.

Their first step - What were other organized groups doing? You know the old saying, nothing succeeds like success. A group representing the major producing areas of processing apples - New York, Michigan, and Appalachia - flew to the West Coast in April 1956, to visit the Washington-Oregon Canning Pear Association, the California Canning Peach Association, and the California Canning Pear Association. They talked with managers, leaders, processors dealing with these organizations, and growers who have remained outside the organization. We were all impressed with the leadership, the quality of men employed, the confidence of both growers and processors in the future of their industry, and the attitudes of those outside but directly interested in the economic prosperity of the industry.

We gathered information on organization, methods of financing, provisions of grower contracts, processor contracts, articles of incorporation, bylaws, methods of negotiating with processors, and legal aspects of organization.

We met with those who were supplying statistical data vital to bargaining. In many instances this pointed up the inadequacy of methods we were using to accumulate crop production and yield figures as well as consumption and movement of our apple products.

Back in Pittsburgh again in May, the industry group met to consider the report on the West Coast trip, review the provisions of grower and processor contracts, and then attempt to set up the framework of an overall bargaining association.

Apple growers at this conference agreed that bargaining on processed apples must include the major processing areas, Appalachia, Western New York, and Michigan. They were not agreed on the type of organization needed. Should there be one overall bargaining association with major processing areas set up as districts or should a bargaining association be organized in each area with a marketing association in common?

Other major problems faced in organizing for bargaining included:

1. Differentials in prices paid between areas, and the large number of different varieties involved.
2. A crop that fluctuates considerably in size from year to year.
3. A crop that can be marketed fresh or processed, and which cannot all be marketed as processed.
4. Different methods of contracting.
5. Lack of sufficient information on crop size and movement of pack. Inadequate statistical information, and methods of collecting statistics.
6. A large number of growers who feel they have a "special deal." Tendency to measure their success by how much better they are doing than their neighbors, not by how well the industry is doing.
7. A large number of small processors, who may be underfinanced and who are characteristically weak sellers.
8. Many growers who have provided only a single outlet for their crop, and fear that they will be cut off by a processor if they don't fall in line.
9. Three different processing areas. Not yet working together towards a common goal.

One area set up its own bargaining association group with little thought given to actual provisions in the grower agreement and processing contract necessary to make such a program effective. Our Western New York group thought a very tight contract was needed and that it should protect growers signing this contract. Thus the two major apple areas proceeded along different paths with the result that summer was upon us with no satisfactory solution.

I might touch on the reasons our processing apple committee felt that a very tight contract was needed.

1. There is a considerable fluctuation in size of crop from year to year particularly in our main processing varieties such as R. I. Greening and Baldwin which are alternate bearers.
2. A large percentage of our crop in McIntosh which is used for processing but is considered a fresh fruit variety.



3. There must be protection for the grower in case the association is not able to market his crop.
4. There must be teeth in the contract to prevent growers from breaking it.
5. Growers must understand thoroughly what they are trying to accomplish.

Our Western New York group, without the other two areas, developed a contract which they felt would give them a strong bargaining association. This they presented to their growers at a series of community meetings just prior to the harvest season.

Western New York growers approved such a contract and instructed their committee to proceed with other areas in reaching an understanding. This was to be done immediately after harvest during November.

Three months have passed with no success in interesting the Appalachian group in sitting down with Michigan and New York to work out details. Western New York is seriously considering starting on its own, realizing that the association would not be as strong as if all three areas were united but hoping that, with the path blazed, the other areas will join in the effort.

Michigan has indicated they would be willing to join Western New York. They have our proposed contract and find its provisions acceptable to their growers.

You may be interested to know that as a result of contact with our efforts in Michigan and Western New York, the red tart cherry industry, of which Michigan and Western New York are the largest producers, has been enabled to proceed with plans for a bargaining association.

Having a national industry group already functioning greatly facilitated the understanding of mutual problems and has enabled this group to make real progress. The National Cherry Growers Council at Traverse City last June set up a special committee to study a bargaining cooperative for red tart cherries. This committee, representing all the major cherry states of Michigan, New York, Pennsylvania, Wisconsin, and Ohio, has worked throughout the past year in formulating a grower contract which could be used in each area. After reaching agreement on contracts, they have incorporated as the Great Lakes Cherry Producers Marketing Cooperative and have elected a temporary Board of Directors and officers some of whom are here today. They have had competent legal counsel throughout their formative period.

Their job now is to develop a final set of bylaws and then obtain grower sign-up in each of the states involved. If they are successful, they will be operating in the next marketing season.

I think that to bargain cooperatively requires a decision on the part of growers that they are going to do the job.

Then by hiring the best talent available to manage their business they should be able to make progress.

It isn't an easy task, as many of you here can no doubt testify, but if there is a will there is a way.

Thank you very much.



## HOW THE FARM BUREAU IS WORKING WITH BARGAINING COOPERATIVES

John C. Datt, Director  
Fruit and Vegetable Department  
American Farm Bureau Federation  
Washington, D. C.

The opportunity to discuss the activities of the Farm Bureau in the field of fruit and vegetable bargaining cooperatives is deeply appreciated because of our long-time interest in this particular matter. Farm Bureau, of course, has been vitally interested in the broad field of cooperatives and the various problems of organization, management, and relationship that is involved.

For the purposes of this discussion, I should like to treat the subject by breaking it into two parts; first, the activities of the various State and County Farm Bureaus; and second, that of the American Farm Bureau Federation. This is done in order that you may have a clearer understanding of the activities at the various Farm Bureau levels in the fruit and vegetable cooperative bargaining field.

One additional comment -- the majority of my remarks will be directed toward the Farm Bureau activities in the processing vegetable bargaining cooperative field. This has been the area where the majority of the Farm Bureau work has taken place, and is now taking place and where we, at least at the national level, have had the most experience.

We are, of course, quite interested in the development of fruit bargaining cooperatives and have followed closely the establishment of these groups in California, Washington, and Oregon, and more recently the developments in the eastern and midwestern fruit-producing areas. Many of our Farm Bureau members have been active participants in these cooperatives and we have expressed our willingness to assist them in the most feasible way possible.

As has already been indicated by the report on the survey of fruit and vegetable bargaining cooperatives, there are many of these cooperatives now in existence and new ones in the process of being established. What has been the role of State and County Farm Bureaus in the development, organization and actual operation of these cooperatives?

The role of the State and County Farm Bureaus has varied from State to State depending on the situation in that particular area. In some States the Farm Bureau has been very active in the development of fruit and vegetable bargaining cooperatives; in others they have indicated their moral support to the idea, so that there is found a wide range of interest and activity.

In studying the background and history of the various processing vegetable cooperatives, one will find that the development of many has stemmed from the interest of a County Farm Bureau in the situation faced by processing vegetable growers. It is from this original interest, either directly or indirectly, that the processing vegetable bargaining cooperative was later formed.

In actual practice, the assistance of State and County Farm Bureaus in the development of fruit and vegetable bargaining cooperatives has been provided in the following manner:

1. Provided the original interest in a bargaining cooperative through a discussion of the problem by the County Farm Bureau.
2. Helped in the organization stage by calling meetings of growers and provided a meeting place.
3. Assisted in providing information about bargaining cooperatives through A.F.B.F. or persons from other bargaining cooperatives.
4. In some States legal assistance has been provided by the State Farm Bureau so that the cooperative would be properly organized. Also advice on membership agreements, etc., has been given.
5. Financial assistance in the early stages of organization has been provided by some State Farm Bureaus.
6. A definite tie-in between the bargaining cooperative and some State Farm Bureaus has been established. This has been done by the cooperative arranging to have certain of its services, such as printing, mailing, etc., done by the State Farm Bureau. One State Farm Bureau secretary serves as treasurer of the cooperative and in that way a very close relationship is established.

These primarily are the activities that have been carried on by the State and County Farm Bureaus in assisting in the development of bargaining associations. No particular pattern has been followed and the extent of assistance has depended primarily on the interest of the Farm Bureau membership. These are ways the Farm Bureau has helped, but this does not necessarily mean that Farm Bureau will assist in these ways.

The last point, that of a definite relationship between the State Farm Bureau and the bargaining cooperative, is one that arises quite frequently. When a fruit or vegetable bargaining cooperative is being developed, and a State Farm Bureau has been interested in its organization, we are questioned as to whether it should be definitely tied into the Farm Bureau structure.

This is not an easy question to answer because of the variance in the situation from State to State. It can best be answered by stating that when the Farm Bureau assumes the responsibility for the success or failure of a bargaining cooperative there must be some type of definite relationship.

This can be done through bylaws, charter, stock, or other similar methods.

Among the processing vegetable bargaining cooperatives that are now in active operation, there is a definite tie-in with a State Farm Bureau in only one State, that is in New Jersey where the State Farm Bureau and the New Jersey Vegetable Growers Cooperative have a definite relationship agreement. The secretary of the State Farm Bureau serves as treasurer of the Cooperative. In addition, the Cooperative has an agreement with the Farm Bureau to provide it with certain services, such as printing, mailing, etc.



The New Jersey Farm Bureau has been very active in the development of the bargaining cooperative, and as a result, has been interested in maintaining a definite relationship with the organization. The agreement also provides that members of the cooperative must be members of the State Farm Bureau.

At the present time this is the only State where this type of definite arrangement exists between a State Farm Bureau and a processing vegetable bargaining cooperative. Other State Farm Bureaus, however, have maintained very excellent informal relations with the officers and members of the cooperatives. Once again, the question of a definite tie-in is related to the interest of the State Farm Bureau in the bargaining cooperative and their desire to assume part of the responsibility for its success or failure.

This briefly is what the State and County Farm Bureaus are doing in the field of fruit and vegetable bargaining cooperatives. Now what about the activities of the American Farm Bureau Federation?

The activities of the national organization can be divided roughly into three categories:

1. Information
2. National meetings of processing vegetable growers
3. Legislative activities

The first of these, the information phase, has consisted of a special report on processing vegetables. This report, started a number of years ago, is issued twice a month during the active processing vegetable contracting season, January to June, and once a month thereafter. The report includes the latest information on contract price offers, resale market prices, canner and freezer pack and stock statistics, prospective acreage, and later in the season, the growing conditions in the various areas.

Information for the report is forwarded to our Washington office, through the State Farm Bureaus, by individual growers or growers' organizations in important producing areas. In Washington it is quickly assembled and returned in report form to State Farm Bureaus for distribution to interested processing vegetable growers. The key to the success of the report is our ability to obtain accurate up-to-the-minute information from growers and their organizations and quickly disseminate it as widely as possible.

The basic thinking behind the report is a desire to make available to processing vegetable growers the latest and best information possible in order that they can make sound decisions on contract price offers and acreage to be planted. This is the only national report of this type that is available to processing vegetable growers and the Farm Bureau is proud of its success.

The American Farm Bureau also serves as a local point for exchange of information from the various processing vegetable bargaining cooperatives and other processing vegetable growers. When a definite contract offer has been made in an area, we are immediately informed and, in turn, quickly disseminate this information to other interested areas. Since we have a Farm Bureau organization in every State, we are able to do this job successfully. There are also many other types of information that we readily make available to processing vegetable growers.

In addition to providing the processing vegetable report, the American Farm Bureau has assisted in the development of various processing vegetable bargaining cooperatives. This has been done by supplying, when requested by a State Farm Bureau, information to growers about bargaining cooperatives. Included in this type of assistance has been participation in grower meetings to discuss the organization and procedure involved in establishing a bargaining cooperative. On other occasions we have arranged for someone from an existing cooperative to meet with interested growers and discuss the development of a cooperative.

Problems involved in membership, financing, proper legal structure, negotiating and many other aspects have been discussed with various bargaining cooperatives. We have attempted to keep in close touch with the various cooperatives in order that we might help them as much as possible.

In areas where there are no bargaining cooperatives, growers have been kept informed of the activities of cooperatives in other areas. As a result, interest has developed and the possibilities of organizing a cooperative are being considered by these growers. I recognize that this may seem like a slow process, but our experience leads us to believe that it is the best approach.

The second phase, that of taking the leadership in holding national meetings of processing vegetable growers, has also been carried on for sometime.

As part of the A.F.B.F. commodity program, we have established national advisory committees in the various commodity fields. The A.F.B.F. Fruit and Vegetable Advisory Committee is made up of three producer-members from each of the four Farm Bureau regions plus several State Farm Bureau presidents and four members of the A.F.B.F. Board of Directors. This Advisory Committee meets twice a year for two days and discusses various fruit and vegetable problems. Specific recommendations are then made to the A.F.B.F. Board of Directors.

A number of years ago a special subcommittee of this Advisory Committee was established to consider the particular problems of processing vegetable growers. This group is made up of grower representatives from the State Farm Bureaus, has generally met twice a year; once in late January or early February and again in August or September. On occasion we have held our summer meetings in various producing areas such as in August 1956 when we met in the Ohio tomato producing area.



These national meetings have provided an excellent opportunity for growers from various States to discuss problems and exchange ideas. The organization and development of processing vegetable bargaining cooperatives has been one of the main topics at every meeting. In sending representatives to these national meetings, States having bargaining cooperatives have, for the most part, designated persons from these groups as their official representatives.

I believe these national meetings have been very valuable because of the opportunity they have provided growers to meet and know other growers with whom they have common problems. We have invited processing vegetable growers from Canada to these meetings as their situation is directly related to what happens in the United States.

In 1956, for example, we held the first national meeting of processing asparagus growers. It was very successful and will be continued. Plans are now underway to hold a national meeting of processing vegetable **growers** similar to the ones I have described, sometime later this month or early in February here in Chicago.

The third phase, legislative activity, ties directly in with these national meetings. Generally, these meetings have included a report on the processing vegetable situation in the various areas and a discussion of phases of bargaining cooperatives. Many other topics, such as marketing agreements and orders, research, farm labor, and the farm program, (including control of diverted acres and the soil bank,) have been discussed. These matters have been of considerable interest to processing vegetable growers and recommendations have been made to the A.F.B.F. Fruit and Vegetable Advisory Committee, who have subsequently considered them and made definite recommendations to the A.F.B.F. Board of Directors. Once policies are approved, it is the responsibility of the Farm Bureau commodity and legislative staff to put them into action. This, of course, is not the only way that definite recommendations on processing vegetables have been developed by the Farm Bureau. Many processing vegetable growers, through active participation in the policy development program of their County and State Farm Bureaus, have expressed their views on any matter affecting them. This is also true of fruit growers.

I have attempted to give you a picture of the Farm Bureau activities in the fruit and vegetable bargaining cooperative field. Farm Bureau feels that it is best serving processing vegetable growers by supplying them with up-to-date information, assisting them in the development of bargaining cooperatives, providing an opportunity for growers from the various areas to get together and exchange ideas of mutual interest, and coordinating the activities of various processing vegetable bargaining cooperatives. This is a function that can be successfully performed by a general farm organization that has organized units in every state. We, of course, have been criticized by some folks because we have not done more in this particular field. However, I hasten to point out that this is only one part of our total Farm Bureau fruit and vegetable program and we too have limitations as far as personnel and finances are concerned.

Basically, the Farm Bureau leadership views fruit and vegetable bargaining cooperatives as marketing tools that are available to growers to help themselves. They are not a panacea or a magic formula that will solve all the problems of fruit and vegetable growers. It is a sound approach, one that involves hard work, good leadership, and the willingness to stick together on the part of growers. We shall continue our interest in their development and shall always be seeking better ways and means to serve fruit and vegetable growers.



LEGAL PROBLEMS IN ORGANIZING AND OPERATING BARGAINING COOPERATIVES  
ORGANIZATIONAL AND CONTRACTUAL ASPECTS UNDER STATE LAW

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Wahrhaftig, Bridgett, and Marcus  
San Francisco, California

I am sorry that our good friend, Joseph Wahrhaftig, is not present today. Both so that he could see the culmination of his many years of service in the field of agricultural marketing cooperatives by this national conference -- the first of its kind -- and also so that he could speak to you on this subject, which was originally assigned to him and which he is so well qualified to discuss. Unfortunately, he is not well and I shall attempt to carry on in his stead.

In the time we have this afternoon, we can at the most discuss briefly only some of the legal problems. These fall into two general areas: (a) The relationship between the bargaining association and its members; and (b) the relationship between the association and its processor customers. My comments will be based upon the experience of the three California fruit bargaining cooperatives -- Cling Peaches, Pears, and Freestone Peaches and to a lesser extent, the Freestone Peach and Pear Bargaining Cooperatives of Washington -- all of whom have substantially similar legal organizations and operating procedures.

The legal aspects of our associations and their operating problems must always be considered with our common objective in mind -- to develop responsible and effective organizations of growers which have and deserve the real confidence and support of their members in their efforts to obtain for their produce the highest price which can be justified in the circumstances.

Relationship Between Association and its Members

Every manager and director knows that the successful bargaining association must have effective bargaining power. To have such power, it must have a firm and legally enforceable agreement with its members. Otherwise, of course, the association will be unable to achieve stability in its own operations and will be unable to honor its contractual obligations with processors to whom it sells fruit.

We can discuss only a few of the essential elements of an effective agreement between the association and its members. As a starting point, the association has a basic concern with its right to sell the produce of its members. Legally, our associations reserve in the membership agreement the authority to allocate the tonnage signed-up to those processors the association believes would best serve its interests.

As a practical matter, preferences expressed by the grower are invariably honored. Rather than exercise its legal authority to disregard these preferences, association management prefers to educate growers to understand

the importance of giving the association enough non-preferenced fruit so that it can have the necessary bargaining power. This longer and more painful process will, in the long run, pay off with better grower support. Meanwhile, however, the association must always have the power to disregard these preferences should the need to do so arise.

The term of the membership agreement is, of course, important to the association. Under California law, the membership agreement may provide that the member agree to sell all or any part of his products exclusively through the association for a period not in excess of 15 years. However, grower leadership long ago concluded that provision must be made to enable members to withdraw from the association during a specified period at the end of any season, despite the term of the membership agreement. This right of withdrawal serves as a reminder to the Board of Directors and executive officers, including the manager, that they must perform their duties in accordance with the wishes of the members of the association and that their tenure of office and the very life of the association depends upon membership support. The right of withdrawal also operates as a safety valve and the experience of all three of the western associations has shown that an extremely small number of growers have taken advantage of it.

Under the California Agricultural Code, certain important remedies have been made expressly available to associations for the enforcement of membership agreements. First, the agreement may now contain an enforceable provision for a penalty or liquidated damages in the event of breach of contract by grower. Consequently, one association membership agreement provides that if a member neglects, fails or refuses to deliver through the association the products purchased thereunder, the member will pay to the association a sum equal to 25 percent of the market value of the fruit or not less than \$10 per ton for each ton of fruit that he fails to deliver. Secondly, the membership agreement is now specifically enforceable by the association.

This means that if a member threatens to refuse to deliver to the association the fruit he has contracted to sell, the association is entitled upon a proper showing to obtain a court order compelling the grower to comply with the provisions of his agreement. Such a court order might also be in the form of a temporary restraining order or an injunction in joining and restraining a member from disposing of his fruit other than through the association with whom he signed the contract.

Generally speaking, none of these rights, that is, for liquidated damages or a penalty, or for specific enforcement or a restraining order, were available under the Common Law. Their importance to the development of a strong association is obvious.

Of course, none of us likes to think in terms of legal action between the association and its own members. However, serious dangers face a bargaining association if it has basic weaknesses in its contractual relationship with its members, or if its leadership is reluctant to see that the agreements, which are voluntarily entered into, are strictly and impartially enforced with respect to all of the members.



In this respect, we must remember that one of the possible legal defenses which a member can assert against an action to enforce his membership agreement is that the association has not treated its members in a uniform and impartial manner. Listen to the allegations contained in a complaint filed against an association we have represented (and which, incidentally, is not here today) when a member sued to have his agreement declared invalid: "Contrary to the provisions of the afore-said marketing agreement, defendant association has entered into other marketing agreements unlike and dissimilar to the afore alleged marketing agreement and has admitted other persons to membership upon consideration of unlike and dissimilar promises, conditions and provisions, all greatly to the prejudice of plaintiffs."

What is more, in that case, the plaintiff's attorney obtained a court order compelling the association to permit him to inspect the marketing agreements of every one of the members of the association. Fortunately, we were able to persuade the Court that those modifications which had been made were not of consequence and that there had been no significant preferential or partial treatment of some members as compared with others. From this experience, however, we can understand the wisdom of the warning that even minor exceptions in the membership agreement should be made only after careful consideration of legal consequences.

Another pitfall in the pathway of enforceability of the membership agreement is the danger that the grower has, perhaps unintentionally, already legally committed his products to some other group. It is possible, for example, that a grower who joins the bargaining cooperative has previously joined some local fruit exchange or association and in so doing has subscribed to the bylaws or membership agreement of such an organization which confers upon it the exclusive right to sell all of his produce. Normally, the bylaws of the local association will permit it to authorize a grower to commit his processing fruit to the bargaining cooperative. However, this is always an area of concern and we never want to see the bargaining cooperative in the position where it is unable to honor a commitment it has made with a processor because the grower has unwittingly committed his fruit elsewhere.

Some reference should be made in passing to the provisions in the association bylaws relating to finances. The five far western associations represented here are financed in large part through the collection of service fees from processors. These are paid because the processors recognize the many services the associations render each processor individually, and industry as a whole. However, there is always need for working capital, particularly when the association is in an organizational stage. Most associations find it necessary to withhold from the annual sales receipts of the growers a certain portion of the money to set up reasonable reserves for contingencies which they cannot always anticipate. In general State laws permit reasonable provisions for reserves and for broad discretion in the Board of Directors of the association with respect to the amount which can be held and the period of time in which it can be held. Bylaws and the membership agreement should be so drafted to avail the association of these powers, consistent with applicable tax laws.

The major problem today in the matter of association finances lies with the taxability of the sum so withheld from growers' sales proceeds. I know that all of us are aware of the uncertainties that exist in the application of the Federal income tax laws to such withholds or retains. I would like to point out that many States, such as California, also impose corporate income taxes and the provisions of the State law do not always correspond precisely with those of the Federal. This should be borne in mind by the association management and considered carefully with its counsel and tax advisers.

### Relationship Between the Association and its Processor Customers

Although we are primarily concerned with the legal problems under State laws in organizing and operating bargaining cooperatives, no such discussion can be complete without some reference to the Federal antitrust laws. Through the antitrust laws, Congress has made the principle of free competition the rule, but it has also made certain exceptions by granting limited exemptions when the need has been demonstrated. Agricultural cooperatives enjoy such a limited exemption under the provisions of the Capper Volstead Act and the Cooperative Marketing Act of 1926. The limitations on this exemption are not clearly specified in the statutes and therefore must be defined through judicial interpretation. As a result, agricultural cooperatives must be ever mindful of the Federal antitrust laws and this is particularly true of bargaining cooperatives such as those we gathered here represent.

Generally, farmers can organize agricultural cooperatives and the cooperatives and the cooperatives can even combine with each other to obtain for their grower members a higher return for their produce. The antitrust laws, however, do not permit the agricultural cooperative to act in concert with non-exempt parties, such as processors, in matters pertaining to the establishment of prices for the commodity being purchased and sold, or otherwise to restrict competition.

We believe that the contract now used by the Cling Peach, Freestone Peach, and Pear Bargaining Associations on the West Coast establishes a bargaining procedure which enables the cooperatives and the canners individually to settle upon commodity prices in an orderly manner consistent with applicable State laws and the Federal antitrust laws.

This contract is unique in another respect. It is an enforceable contract for the sale of fruit in advance of the harvest, although no price is specified in it.

As you may know, the major legal obstacle to be overcome by such a contract is the requirement that the essential terms be sufficiently certain. Since price is obviously an essential term, it has generally been held that the specific price of the subject of the contract must either be set forth in the contract or be ascertainable pursuant to a formula which is set forth in the contract.



On this theory, canners for many years have persuaded growers to sign long-term "open-price" contracts under which the grower agrees to sell and the canner to purchase the growers' produce at the prevailing or market price for the particular season. Such contracts have long hindered the efforts of agricultural producers to obtain more favorable prices for their products. While they assure the grower of a home for his fruit and, of course, the processor of his supply, they diminish the total grower bargaining power which is so essential in working for the objective of a reasonable market price -- that is, a price which will provide the grower with a reasonable return upon his investment in his capital and his time.

With the encouragement of Ralph B. Bunje, General Manager of the California Canning Peach Association, Joseph Wahrhaftig developed the concept that a contract with canners which provided that the price of the produce should be a "reasonable price" would be legally enforceable under recent trends in the California law.

The rationale for this concept was to be found in a line of cases dealing with leases which contained options in which the lessor and lessee agreed that the rental for the extended period of their lease should be a "reasonable rental". For many years, it was held that such options were not enforceable because there was a lack of certainty with respect to the essential matter of the amount of the rental. In recent years, the California courts have held that such a provision was enforceable, reasoning that the parties, in drawing up such an agreement, had contemplated that the option would be enforceable and that what was reasonable could therefore be determined by the court if the parties themselves could not agree.

Some support for the new contractual concept can be found under the provisions of Section 1729 (4) of the California Civil Code which provides that where the price is not determined by the contract, "the buyer must pay a reasonable price" and further "what is a reasonable price is a question of fact dependent on the circumstances of each particular case."

Needless to say, neither association nor processor wishes to have the reasonable price determined by a court of law. Consequently, there are provisions in the contracts which have been executed by the majority of processors of produce purchasing from the association each year, whereunder the processors agree that if, within the time limit specified, a sufficient number of them accept the price which the association announces as an opening price, this price becomes immediately binding on all of the processor purchasers from the association.

If the announced offering prices of the association are twice rejected by the processors, the parties are still not precluded from agreeing upon a "reasonable price" provided, of course, that such method of agreement is consistent with the antitrust laws. The ever-present threat of court action to determine what is a "reasonable price" for the given harvest year has always served as a spur to each side to be practical and reasonable in its respective position, bearing in mind then existing considerations which affect the supply and demand for the product being sold by the association.

Although processors originally did not favor the new contract, now after six years, it enjoys widespread acceptance. Through it, another forward step has been taken toward stabilizing agricultural prices and toward recognizing that the grower is entitled to a reasonable return. Enlightened processors realize that these conditions will inure to their benefit in the long run, just as responsible association management recognizes that its fruit must be sold for a price which will enable the processors to move the pack and show a reasonable return for themselves. However, I don't want to mislead you, contract or not, pricing time each season never fails to breed ulcers for everyone involved.

Finally, I would like to refer briefly to the so-called "favored nation" clauses which we have adopted in our contract. Any processor who, during the season, purchases fruit at a price higher than the contract price with the association is required to revise the contract price upward accordingly. Conversely, if the association sells any of its members' fruit during the season at a price lower than a previously established contract price, the reasonable price under the association contract is revised downward. Experience has proven that these provisions are essential for healthy relations between the processor and the association and between the processor and his growers.

I will conclude with this thought. We lawyers recognize only too well that, although we must be concerned with the legal aspects of such associations, the laws themselves are of importance only as tools with which to achieve the objectives. The best of laws can never replace the need for enlightened leadership by sincere and dedicated men and for genuine support by the grower members whom the association exists to serve.



LEGAL PROBLEMS IN ORGANIZING AND OPERATING BARGAINING COOPERATIVES -  
CONSIDERATIONS INVOLVING FEDERAL LAW

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Compared to the prior speakers, I am a complete novice in the field of bargaining cooperatives. However, bargaining cooperatives, in common with other cooperatives, have to consider from time to time the application of Federal laws to their activities. This is particularly true in two areas: (1) antitrust and restraint of trade, and (2) Federal income tax. Accordingly, my remarks will be directed to these particular aspects in the hope that you may find something helpful and useful in them.

Antitrust and Restraint of Trade Laws

Until enactment of the Capper-Volstead Act in 1922 and laws in every State providing specially for the organization of farmer cooperatives, such cooperatives frequently encountered restraint of trade or other antitrust problems even in their organizational phase.

At the Federal level, the Capper-Volstead Act has made it clear that the elimination of competition between individual producers, which occurs when they act together through a cooperative association, would not in and of itself constitute a Federal antitrust law violation. State statutes have now afforded similar assurance as respects State antitrust or restraint of trade laws.

To secure the protection of the Capper-Volstead Act, a cooperative must be organized and operated so as to come within its terms, which, generally stated, are these:

1. It must be composed of persons engaged in the production of agricultural products;
2. It must operate on a mutual basis for the benefit of its members as producers;
3. It must not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members; and
4. It must either allow each member no more than one vote because of the amount of stock or membership capital which he may own, or limit its dividends on stock or membership capital to 8 percent per year. It may, of course, conform to both these requirements if it wishes.

What benefits result to a bargaining cooperative from compliance with the Capper-Volstead Act?

All the answers to this question have not yet been given through court interpretation. However, there are some benchmarks.

First--as already stated, the right to organize without antitrust law infringement is assured.

Second--It seems reasonably clear that a Capper-Volstead cooperative can attain a monopoly position in a particular area or product so long as it achieves this position by voluntary attraction of membership and natural growth.

Third--It may use this position to enhance prices. However, if the Secretary of Agriculture has reason to believe that prices are being "unduly enhanced" he may bring an administrative proceeding against the association. If, following a hearing, he finds that the facts are as suspected, he may issue an order directing the association to cease and desist from monopolization or restraint of trade. The Attorney General may institute court proceedings to enforce the Secretary's order.

Fourth--A Capper-Volstead cooperative may cooperate with other Capper-Volstead cooperatives or individual farmers who are members of such other cooperatives in establishing prices. This ruling was made in a recent criminal case, decided in October 1956, which the Department of Justice had brought against the Maryland and Virginia Milk Producers Association, Inc., of Washington, D.C., and the Maryland Cooperative Milk Producers, Inc., of Baltimore, Maryland.

It is well to remember that this was a district court decision in a criminal case which was not subject to appeal. Nevertheless, the reasoning of the court may have considerable influence on other courts. (Incidentally, the Department of Justice has since filed a civil complaint against the Maryland and Virginia Association charging several Sherman Act violations including this same one of conspiracy to fix prices, so the issue should not be considered finally settled.)

Fifth--A marketing cooperative may require purchasers to obtain their full supply from the association, where the contracts are reasonably ancillary to achievement of the cooperative's legitimate marketing objectives.

Finally, and speaking more generally, the association may do what any other business may do in carrying on its legitimate objectives and it may enter into the necessary contracts and agreements to achieve its legitimate objectives so long as it does not use illegal or unfair methods, or does not use a legal device with an improper or illegal intent.

What about the other side of the coin? What actions are in violation of Capper-Volstead? As indicated, the Act does not give a cooperative complete immunity from the restraints of the Sherman Antitrust Act or the prohibitions of the laws administered by the Federal Trade Commission.

In the first place, the Borden case, decided by the Supreme Court in 1939, makes it clear that the Capper-Volstead Act does not give a cooperative association immunity from the antitrust laws when it combines with noncooperative business groups to engage in activity in violation of those laws.



Suppose the normal market for members of Co-op X is to sell to processors A, B, C, and D. May the management of Co-op X get together in a single meeting with A, B, C, and D, discuss the prices to be paid, and reach a mutual agreement that A, B, C, and D will all pay the same price to the members of X? I think the answer is probably, "No." Such an arrangement would be the same in legal effect as though the processors (without the participation of X) were to agree on the price to be paid by them. Several cases have held that a combination between dealers fixing the price to be paid by them or restricting their bidding is invalid.

A suit was brought against a milk cooperative and some handlers charging a violation such as I have described. The case against the cooperative manager was dismissed because the evidence showed he did not bargain with the handlers--nor did they agree. At the meeting which admittedly took place, he merely announced a take-it or leave-it price. A complaint brought by the Federal Trade Commission against an apple trade association and several processors, including a cooperative processor, charged a conspiracy to fix prices. It was dismissed for lack of evidence. These cases demonstrate, however, the thinking of the Department of Justice and the Federal Trade Commission.

There are other areas of questionable legality in which a bargaining cooperative conceivably might become involved. None of these have been covered by specific court decisions. However, the Report of the Attorney General's National Committee to Study the Antitrust Laws suggests rather pointedly that cooperatives are not free to engage in "concerted restriction on agricultural output, coercion of competitors or customers, and monopoly power either achieved by means not within Capper-Volstead Section 1 or used to 'unduly enhance' prices under that Act's Section 2."

Apart from the Capper-Volstead Act, there is a less frequently cited, but nevertheless important, special provision in section 5 of the Cooperative Marketing Act of 1926. (7U.S.C.455) This provision should be especially helpful to bargaining cooperatives. It confers broad authority on agricultural producers and their cooperative associations to acquire and exchange information "past, present, and prospective" pertaining to the production and marketing of crops.

### Federal Taxes

I shall now turn, briefly, to the subject of Federal taxes. You are all aware, I am sure, that unless you secure a letter of exemption from the local Collector of Internal Revenue, indicating that your cooperative is organized and operating so as to comply with section 521 of the Internal Revenue Code of 1954 (or have such a letter issued under prior equivalent Code sections), your cooperative is not entitled to the special tax treatment provided in section 522 of the Code.

If you qualify, you may operate so as to have little or no taxable income. Even if you do not qualify, you may exclude from gross income any sums which the cooperative is under a prior mandatory obligation to distribute to its patrons. Whether the cooperative qualifies or not, it is taxable on earnings which it retains and treats as its own.

I wish to emphasize only two points in this connection--

1. If you have a letter of exemption, make sure that you understand the limitations imposed on your operations by section 521 of the Code and then so conduct your operations as to keep them within the statutory requirements. These requirements, for the most part, do not extend beyond the basic principles of sound cooperative organization which has evolved through the experience of many years. Accordingly, especially in a bargaining cooperative, adherence to these requirements should not prove too difficult.
2. Whether or not your operations qualify under section 521, it is of the utmost importance that the cooperative's prior mandatory obligation to distribute patronage refunds be clearly and unequivocally expressed in its corporate papers.

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Question: Can a bargaining association negotiate with more than one processor at the same time?

Mischler: If a cooperative meets with more than one processor at a time, both the cooperative and the processors are probably in violation of Federal antitrust legislation.

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#### Opening Discussion at the January 13 Session

L. T. Powell suggested that a list of names and addresses of fruit and vegetable bargaining cooperatives be included in the proceedings of this Conference.

A. J. Anderson suggested that the various bargaining associations exchange newsletters with each other.

The chairman of this session, Joseph G. Knapp, suggested discussion on the relationship of marketing orders to bargaining associations.

Gerald D. Marcus pointed out that bargaining associations, as such, are not a part of a marketing order. However, bargaining associations can provide much leadership in representing growers under marketing orders such as are in effect in California.

Ralph B. Bunje said there is much misunderstanding about marketing orders, some of it due to unfavorable information being issued about marketing orders. He added that an order must be tailored to the commodity, and that growers operating under marketing orders have done best -- gotten the best returns -- for their crops.



## ECONOMIC-MARKETING INFORMATION--NEED AND USE IN COOPERATIVE BARGAINING

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In discussing the topic of the need and use of economic information in cooperative bargaining, my objective is to consider some general ideas. I should like to provide some basis for our discussion of the general subject as it relates to the problems facing each of you dealing with different types of crops.

At the beginning it is important that we have a clear understanding as to what is meant by "economic-marketing information." There is a good deal of information relevant to the operation of cooperative bargaining associations, but only part of such information might be considered to be in the "economic-marketing" category. But when information is pertinent to the terms of trade, including but not limited to price, it is clear that such information is of "economic-marketing" interest. This type of concept, of course, encompasses a wide area of information. But we should take such a view if we are to be realistic. Data on prices and packs are only a small part of the story. "Economic-marketing" information includes knowledge about the economic and marketing complex within which are generated the terms of trade and their outcome.

In a group as this one, the notion of "economic-marketing" information must be tied to the concept of bargaining and, more specifically, cooperative bargaining associations. But that brings us to the question of what is meant by bargaining and what are the unique features, if any, of cooperative bargaining. By bargaining, we mean the economic interactions between two parties in establishing the terms of trade. In that sense, bargaining is certainly not unique to the type of organizations represented here today. The entire history of business, beginning with primitive barter, is characterized by bargaining. Yet, what we mean by cooperative bargaining does have a unique feature. Cooperative bargaining provides an institutional mechanism for making a differential effect on the terms of trade and price formation. If your cooperatives did not believe that through cooperative bargaining you could not bring about certain effects on price and on the terms of trade, the incentive for your associations would certainly be dampened.

One of the specific objectives of cooperative bargaining is concerned with the question of "equalizing bargaining power." Through the institution of cooperation, growers have been attempting to increase their bargaining power, and the trends in recent years certainly are in that direction. But effective bargaining power cannot necessarily be attained only through cooperation itself. Part of the "know how" includes the exploitation of pertinent economic information. The day when "the one who pounded the table the loudest won the argument" is quickly passing.

Earlier we noted that one of the objectives of cooperative bargaining was the strengthening of bargaining power of growers in order to effect the terms of trade. But the phrase "cooperative bargaining," which is now so popular, really means more than what it says. You should not delude yourselves--- what you really mean is "monopoly power." The word "monopoly" is distasteful to some people. But for our purpose here today, we must talk in objective terms and recognize the fact that through cooperative bargaining, whether you are willing to admit it or not, you are attempting to increase your monopoly power in order to effect the terms of trade in your favor.

To get a bit closer to our topic, let us now move in the direction of noting some types of economic information necessary in reaching the objectives of cooperative bargaining. First, it should be noted that economic information cannot be limited to the farm level. Management and directors must be familiar with the f.o.b., wholesale, and retail markets. Interest and attention must not be limited to the particular crop the association is selling. Most crops have close substitutes or competitive crops, and economic information on them is necessary. Another point is that your perspective should not be limited to a particular state or region. Most crops are affected by national conditions even though they may be sold to a limited number of processors in a given area. It might be worth while to appreciate that your ultimate customers are the housewives throughout the entire country. An additional point is that for some crops even the national scene is only part of the picture; trends in international trade, export opportunities, and conditions in foreign countries must be studied and evaluated. Within these broad perspectives you must consider packs; movements and stocks at f.o.b., wholesale, and retail; and price trends at those distribution levels, not only for your product but also for related products.

There is, however, the danger of misinterpreting what I mean by drawing upon information from the view of the broad perspectives just mentioned. In fact, it may well be that the real problem to be faced by cooperative bargaining associations is that of being smothered by too much literature or irrelevant information. If the managers and directors of a cooperative bargaining association were to read and study all of the printed matter that goes under the name of "economic information," the 24-hour day would be much too short. Critical selection is necessary, and what is appropriate for one crop may differ from that for another crop. There is a trick which every cooperative bargaining association must learn: to select from among the tremendous flow of oral and printed matter a limited amount of critical data and information which bear upon its problems.

To supplement some of the points which we have touched upon so far, it should be noted that the need and use of economic information in cooperative bargaining is a year-round operation. Much too often the question of economic information is disregarded until a few weeks before harvest. Then the manager or some committee frantically gets on the telephone, tries to pick up gossip rumors, and "sizes up the market." Such a method of operation, however, is not only inadequate but also foolhardy. Although the actual sale of your crop may take place in a day or two, you must be preparing for that day throughout the year.



As we noted earlier, one of the objectives of cooperative bargaining is changing the balance of bargaining power so as to effect price and the other terms of trade. But we must recognize that price formation is related to the market structure. The nature of the terms of trade and price formation can differ according to the numbers and sizes of sellers and buyers. For example, four broad cases may be outlined: many sellers and many buyers; many sellers and few buyers; few sellers and many buyers; few sellers and few buyers. Without cooperative bargaining, from the viewpoint of the grower, there would be many sellers. Therefore, cooperative bargaining attempts to restructure the selling side of the market so there will be few sellers. This is altogether different from the classical case of free competition based on the assumption of many buyers and many sellers.

The case of few sellers and few buyers is described sometimes as "competition among the few" or oligopoly-oligopsony, but let us not get entangled with fancy technical jargon. The important point is that the determination of price in a market structure characterized by few sellers and few buyers is different from that in situations where there are many sellers and many buyers. An important difference to be noted is that, in the case of many sellers and many buyers, a single unique economic price prevails. But in the case of few sellers and few buyers, there need not be a single determinant unique economic price; rather, there may result an economic range of prices, and in order to narrow the range to a single price on which the terms of trade are settled, it may be necessary to go outside the area of economics.

In view of the strong interest in pricing methods and practices, about which you will hear details in the panel to follow, we may now briefly consider the idea of an "economic price." Specifically, what is an economic price for a bargaining cooperative? From the viewpoint of the cooperative itself, the economic price may be viewed as that per unit return which moves the available supply into consumption, with corresponding adjustments of pipeline inventories adequate to maintain year-round flow of supplies to consumers. This concept of economic price for growers, however, assumes that processors, wholesalers, and retailers also receive economic prices but no more. One can understand the growers' resistance to restraint in pricing if they believe that others in the production-distribution system only take advantage of the growers' altruism rather than think and act in terms of the industry's and economy's long-run welfare. But growers, even when acting for what they think to be their own immediate benefit, might well consider the long-run, as well as the short-run, effects of their association pricing policy.

The recognition of the need and use of economic information for long-term successful cooperative bargaining means more than having available data on packs, movements, stocks, and prices at the various levels of the marketing system. It also means having estimates of the economic relationships between certain variables. Considerable work has been done in estimating various economic relationships for some crops, and I can say that several associations are in the vanguard of progress in using economic information for making sound business decisions. With the use of the right type of economic information, cooperative bargaining associations can improve their operations; mistakes will still be made, but there can be smaller and fewer mistakes.

I do not want to leave you with the mistaken impression that judicious and expert use of economic information will solve all of your pricing problems and other considerations of the terms of trade. As I suggested earlier, there are certain situations where economics, by itself, can bring you only part of the way toward your objective. Economic information is only one of the tools which must be used in cooperative bargaining. In addition to economics, it is often necessary to draw upon the fields of sociology, political science, social psychology, and not infrequently even a bit of psychiatry might be helpful.

In closing I should like to thank Dr. Knapp for inviting me to participate with you in this conference—the first of what merits becoming a regular series. I have not given you dollars and cents answers; that was not my purpose. But I hope that I was able to arouse your interest and stimulate your thinking about the need and use of economic information in cooperative bargaining.

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#### Comments following Dr. Hoos' talk

Franklin H. Graf pointed out that acquiring economic information is very important, and that the A. C. Nielsen Company provides market information for many agricultural groups, such as canner and grower groups. He said that the cost to the west coast fruit associations for market information is about 10 cents per ton. He thinks that the California Canning Peach Association is as well informed as the canners. He added that growers must realize they are behind other groups in the use of economic information and market research and that they must run faster if they are to catch up.

Ralph B. Bunje expressed the high regard of the growers on the West Coast for the work done by Dr. Hoos.

Edwin G. Nourse was gratified to hear and see that some of this earlier work in the field of cooperative marketing is still useful, and that others, such as Dr. Hoos, are carrying on in this work. Dr. Nourse was especially interested to note the transition that has taken place from conflict to a period of collective bargaining negotiation. He pointed out President Eisenhower's stress on the need for self-discipline in relations between groups. In President Harding's time, Samuel Gompers, the labor leader, pointed out how labor had advanced and urged agriculture to do the same. Dr. Nourse was pleased to note that the group attending this conference was using intelligence and looking at the long run with regard to their negotiating activities.

Dr. Nourse suggested the need for information, competence, and self-discipline in negotiation. You also need flexibility so that you do not have to stand with a bad decision. He suggested that you cannot project into the future well, and that if you tie yourself to a formula you will introduce rigidity. Flexibility is needed so that you can change with the times. Watch out for the danger of inflexibility. Be prepared to change and renegotiate.



Sidney Hoos indicated that Dr. Nourse's comments were very apt, and that formulas, while useful, are only something to hinge to at the beginning of negotiations. He pointed out that the west coast groups have re-negotiable prices or contingency clauses under discussion, and that these are now used by some Florida groups. He commented on the assumption of risk by growers and canners in price negotiations. Growers, he feels, want to have a firm price at the beginning of the season and then take the risk that the price will change. Processors probably prefer it the other way. Each must consider one kind of uncertainty against another kind of uncertainty.

## FINANCING FRUIT AND VEGETABLE BARGAINING COOPERATIVES

L. T. Powell, President  
California Freestone Peach Association  
Modesto, California

I approach the discussion of this subject with the main purpose of trying to point out the problems of finance facing a new board of directors, or organizers, of a bargaining cooperative. I speak as a person no better informed on finance and fiscal policy than an ordinary, moderately successful producer of any agricultural commodity produced for sale to processors. I can speak only with whatever authority there is to be gained by recently traveling the road which must be covered by the chairman of a board of directors of any such association.

There are many and varied problems facing a board of directors of a bargaining association that are as important as financing. These we have heard discussed fully during this conference. But in the handling of your fiscal policy, you can make or break your relationship with your members, the backbone of your organization.

In our type of organization, the amounts of money needed are small compared to amounts needed by co-ops that process fruits and vegetables or that must carry large inventories of supplies to sell to members. Capital investments are practically limited to office equipment and an automobile for necessary field work. Funds are needed mainly to pay accrued operating expenses on a seasonal basis until the association receives the annual income necessary to replenish the treasury.

The following offer sources of revenue to a bargaining association: (a) membership fees; (b) retains, or growers' equities; (c) service fees; and (d) assessments. Of course there is the possibility of procuring necessary operating money through the use of credit. We in our association used this to assist us in starting our operations, but our members and board of directors feel that it is not a fiscal policy which we wish to continue. We feel that using members' money, in the form of retains or revolving funds, makes the members feel that they really belong, and results in a more interested and active membership.

When we first organized in 1953, we eliminated two of our possible sources of income by providing in our bylaws that there should be no membership fees or assessments. The original seven incorporating directors personally advanced the few hundred dollars necessary to pay the actual costs of incorporation, and the attorney who did the legal work took a "rain check" on his fees until we were actually operating. The directors worked during 1953 and 1954 as a "labor of love" and not until late in 1954, when the members in a group meeting voted a voluntary assessment, did we have any funds with which to hire a manager and get under way.



During our first two years of operation it was necessary for us to use bank credit to have enough cash to pay operating expenses. Since we had no capital assets and a financial statement showing a net worth of nothing, the directors' personally guaranteed the loans. Had we been well enough informed in advance, we probably could have financed our 1956 operations through a Bank for Cooperatives loan, but by the time we attempted to do this late in 1955, we had spent so much of our cash on hand that we could not get sufficient money in that manner. I am not here to state the policy of the Bank for Cooperatives but we were informed by them that we would be eligible borrowers on a matching funds basis.

In our association contracts provide that 5 percent of the roadside value of each member's crop be withheld by the processor and paid directly to the association. This is the source of our retains or revolving fund. At the \$60.00 per ton price during the last two years, this has been \$3.00 per ton deducted from each grower's payment.

At the end of the 1955 season this fund amounted to approximately \$30,000, which would have been sufficient to carry our association through to the 1956 harvest. Our Board of Directors, however, felt that this amount held in a revolving fund would be displeasing to some members and would have an adverse effect on the signing of new members. After much consideration the Board voted to return half of this money to the growers in cash, the rest to be accounted for by revolving fund certificates and cost of doing business account.

We have also had another source of revenue. We receive a service fee or charge from the processors of \$1.50 a ton, which is a considerable help in meeting our expenses. In general, processors on the coast recognize this to be a legitimate charge for services rendered by the association in stabilizing the market and simplifying their field work. In 1955 our cost of operation was \$2.035 per ton so that when the equity certificates were issued they were for only \$.965 per ton and the grower was informed that the balance was a cost to him.

These figures do not cover all the money expended up to and including 1955. There was approximately \$10,000 which the Board and accountant felt were in reality "Organizational Expenses." This would have been nearly \$1.00 per ton on our 1955 tonnage. We felt that it would be unfair to saddle the first members with the total cost of organization, so this amount was pro-rated over a five-year period, one-fifth being charged to 1955 and one-fifth to each of the following four years.

Also in 1955 we returned all voluntary assessment money and cash advances.

In 1956 with 25,000 tons for us as compared with 11,000 in 1955 these two sources provided enough revenue to return to the members all but \$1.50 per ton on the 1956 crop, pay off the 1955 series revolving fund certificates, and retain enough money to finance our operations until revenue comes in next July and August.

I realize that the manner in which we started financing our operations put what might seem to be an unfair burden on the directors and a few of the members. It may be that a membership fee or some other form of assessment would actually be a better way to raise initial funds. However, a review of what literature I have had available shows that this is more or less the pattern that has been followed by most cooperatives. I feel that we were fortunate in having men who were willing to use their personal credit to advance the interests of the industry.

I actually believe that a new organization will probably become established and be really vital only where there are growers stubborn enough and dedicated enough to throw caution overboard and follow some such course as I have outlined. In looking back I feel, and I know my Board feels, that most of the mistakes we made were made by being too conservative and not spending enough money for assistance. I don't want to imply that money should be spent indiscriminately, but spend as much as is reasonably required to do the job.



## MEMBERSHIP PROBLEMS OF BARGAINING COOPERATIVES

Berkley I. Freeman, Manager  
Washington-Oregon Canning Pear Association  
Yakima, Washington

Just as the creative activities of the individual in art and science represent the greatest achievement of mankind in individual effort, so does the voluntary cooperative represent the highest degree of achievement of man in the field of economic endeavor. Although motivated by the very basic instincts of greater profits and more economic stability, the bargaining association by definition is dependent upon, first the voluntary action of individuals and second, their united effort based upon intelligent self-interest. We, therefore, presuppose that every individual involved in a cooperative bargaining effort is both intelligent and capable of asserting the intelligence by initiating voluntary action and exercising his freedom of will.

Therefore, it is not difficult to understand why the creation of the voluntary cooperative marketing organization is surmounted by problems which can be solved by only one force alone, and that is persuasion. It is this central fact in the formation of all bargaining associations that makes membership the primary consideration of any group planning to undertake the formation and application of a bargaining association.

In addition to these requirements, the success of the organization is based upon the gamble that there are enough willing growers producing the commodity that they cannot be by-passed by keen and resourceful processors who are primarily interested in maintaining price levels favorable to themselves.

Not all men are blessed with the basic requirements for voluntary and enlightened activity. A friend of mine who visited a famous mental institution said to the doctor who was showing him through the grounds, "How do you and your small staff control so many hundreds of individuals?" "Oh," said the Doctor, "numbers mean very little since insane people do not cooperate." From personal experience I have discovered that all the people who do not cooperate or who are incapable of doing so are not in institutions.

Our problem here today is to suggest ways and means in which growers can create a voluntary bargaining association. First of all, they must be convinced, that their economic well being is dependent upon the voluntary cooperation of other growers in their commodity group; and, second, they must be willing to expend a great deal of time, effort and, often, money. Needless to say, they may become easily discouraged if they underestimate the problems ahead. Many growers in their area or in other areas growing the commodity in question will not join their association for the following reasons:

1. They are not economically free to act on their own volition since they are financed or in debt to processors or shippers.
2. Growers are inherently gamblers and not business men and some firmly believe in the dream that some day they will corner the market and become millionnaires on the basis of their individual efforts.

3. There are those growers who, by virtue of having an above-average volume or quality of tonnage, are convinced that their advantage over growers in the field is greater than could be realized by an over-all effort that might stabilize the market and increase the returns to all.
4. There is the grower who has achieved limited success by playing the lone wolf and capitalizing on the efforts of others without contributing his share to the successful endeavours of the industry. He is glad to see an organization formed and is willing to accept its benefits, but will not accept its responsibilities.

Once the originating group accepts these facts and is still determined to go ahead, we can proceed with the techniques involved in acquiring a membership with sufficient volume to demand bargaining strength in the industry.

The first step to be taken by this originating group in obtaining membership is to meet with other organized groups and obtain their ideas and cooperation in forming the proper organization.

Other groups will include:

1. Government agencies, such as Farmer Cooperative Service and the County Agent or Commissions established for promotional purposes.
2. Cannerys.
3. Farm groups such as the Farm Bureau and the Grange, Farmers Union, Horticultural societies, or other grower organizations.
4. Established service cooperatives.
5. Bankers and representatives of other business institutions interested in the welfare of the producer.
6. Lawyers.
7. Established Grower Bargaining Associations.

Once these groups are sounded out and enough interest has been voiced to establish that there is economic need and support for such an organization, then resolutions from these groups should be forthcoming recommending that an organization be formed. With the background of these resolutions and the publicity they create in the various trade journals and newspapers, meetings should be held in the growing districts for basic overall discussion of the desirability of forming an organization.

Circulated at these meetings should be a petition acknowledging the individual's interest in joining an organization when it is so formed. At these meetings an organizational group should be elected by the body of growers present to formulate its Bylaws, Membership Contracts, and Articles of Incorporation. Those elected to the organizing committee should then meet and, with sound legal advice, formulate the above-mentioned documents.



Money should be raised by voluntary contributions of the signers of the original petition. This money should be used for meeting places, legal advice, and incorporation expenses. It should be returned when the Association is in actual operation and has an income.

A tentative percentage of the total tonnage available to processors should be chosen so that future signers of these Articles of Incorporation and membership agreements will be protected in the event a safe margin of tonnage is not obtained and the organization is inoperative.

At this time, and before the initial membership drive is started, due thought should be given to the hiring of proper professional help to obtain the sign-ups and develop management policies. It may be assumed from the start that, regardless of the publicity obtained and the response at public meetings, each individual who signs the membership agreement will be acting on his own initiative and must be solicited privately.

Since participants in the organization of a marketing association are committed to a great many organizations and cannot spare the necessary time to give individual sign-ups the attention they require, it becomes mandatory to use professional help in acquiring signatures. If possible the manager should be selected at this time so that each individual signing up can make his own decision relative to the managerial ability of the organization being formed. If the manager has been chosen, you will have a hard core of organization because the success of the organization will determine his own success and economic returns.

Before launching the all-out membership drive, it is also necessary that the organizing committee determine the geographical limits of operation. Advisory committees should be established in all growing locales. These preserve individual area identities and direct participation is had from all growing areas.

It is well to consider at this time that to be successful in bargaining your proportion of tonnage must be significant in terms of the national crop and not merely confined to a local area, unless said local area represents a large percentage of the national crop of the commodity in question.

Advisory grower committees, with the help of professional employees, should then conduct the sign-up with as much publicity as possible in all newspapers. Once the designated minimum tonnage is achieved, meetings should be held throughout the districts nominating permanent directors. It must be remembered that all meetings are valuable not only for members attending but for the publicity they create in newspapers and on radio and TV.

Once the organization is established, efforts to acquire new memberships should be maintained. The primary source of new membership will arise from the enthusiasm of the old membership. This must be maintained by newsletters, district meetings, and annual meetings. All these communications should be analyzed in terms of the originality and quality of the information dispensed. Your members are interested in hearing from you facts pertaining to bargaining that are not available through any other source. They must be assured as to the accuracy of this information and its reliability. Meetings must be planned as important public affairs to enhance the prestige of the association as well as bring expert knowledge to the membership.

Another important medium for maintaining the interest of your membership is participation in the offices of the association. The directorships, of course, are the most important posts. However, approximately 10 percent of the entire membership can be included in official capacity if advisory committees are set up in the various local districts and nominating committees are selected with the idea in mind of the widest participation possible. Elections should always be formal and open to nominations from the floor and the officials elected should be given due publicity.

Industry recognition is important and can be acquired if various canner and industry personages are asked to speak on panels. A "grower of the year" is a good idea and due publicity can be turned to advantage. Such efforts pay off in the solid background created. Field men should be employed not only to constantly call on prospective members, but to call on old members so that each member feels he is being consulted about the welfare and progress of the organization.

In conclusion, it can be seen that membership is primary and that all actions taken by the association should be calculated as to their ultimate effect on membership. The approach to increase membership cannot be by technique or propaganda alone, but must be a combined overall effort to create sound business relationships with all segments of the industry as well as the grower members. No single line of approach is the answer, but sign-up and membership should be constantly up for review and attacked from all angles. These must include:

1. Leadership in the community by the members participating in the association
2. Professional assistance of properly hired personnel.
3. Proper publicity and public relations through the media of newspaper, radio, and TV.
4. Reports and newsletters that are unique and accurate.
5. Elections and election committees.
6. District and annual meetings that bring before the membership new talent and men of prestige in the industry.
7. Industry activities such as "grower of the year," research developments, canner recognition.

A bargaining association may have the brightest manager, the most loyal board of directors, and the greatest reserve in the bank but if it does not have a genuine majority representation of grower members of the commodity it represents, it is a WEAK ORGANIZATION. There is only one real strength in bargaining and that is the strength of tonnage. It is the only capital that a voluntary bargaining cooperative has in the business world.

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Comment by L. T. Powell: He did not think that bargaining cooperatives actually wanted 100 per cent of the growers as members. He felt that individualists do not make desirable members.



## NEGOTIATING PROBLEMS AND TECHNIQUES

Chan Connolly, Manager  
Cannery Growers, Inc.  
Maumee, Ohio

1. Determine problems which need be negotiated.
  - a. Meeting of grower members.
  - b. Present all economic and statistical information.
  - c. Develop problems to be negotiated for the given year.
2. Have local growers elect committee for negotiations.
  - a. Election of committee members.
  - b. Rotation plan of members of committee so only one new member elected each year.
3. Notify processor that bargaining organization is ready to negotiate contract.
  - a. Send letter to processor - ready to negotiate.
  - b. Send by registered mail - requesting returned receipt because of liquidated damage clause in contract.
  - c. Send list of entire membership.
4. Conduct separate meeting with negotiating committee members prior to actual meeting with processor.
  - a. Review problems to be negotiated.
  - b. Develop method of presentation.
  - c. Instruct committee members on conduct.
5. Negotiating meeting.
  - a. Place - a neutral meeting place is desirable.
  - b. Elect a spokesman.
  - c. Conduct of other committeemen.
  - d. Keep record of agreements.
  - e. In event of disagreement - keep records of meeting - who - when - where - what. Report back to local grower members for further instructions.
  - f. When agreement is reached by both parties, prepare written instrument listing agreements - signed by both parties.
  - g. Inform grower members terms of negotiated contract.

## NEGOTIATING PROBLEMS AND TECHNIQUES

J. L. Sullivan, President  
California Canning Peach Association  
San Francisco, California

It has been my experience that negotiating problems can be classified in 3 groups; (1) problems that arise with our customers, (2) problems that arise with our members, and (3) problems that arise from outside influences. I shall discuss each of these separately.

When negotiating with customers, it is well to bear in mind that problems which arise are not new. Since the days of Christ, when buying and selling were done at the village well, there have been differences of opinion between the buyer and seller. Of major consequence are the representations that are made by our customers. We must constantly remind ourselves that we are dealing with skilled buyers who make every effort to point out to us every conceivable problem that might be brought about as a result of unreasonable prices. Generally speaking, they consider whatever price we have in mind as unreasonable. Frequently, our customers attempt a diversion that will take our minds away from the problems of bringing about a satisfactory price.

I have found only one solution to this problem and that is to make ourselves as well informed and advised concerning market conditions as the buyers are. I cannot stress this point too much. Timing is often important and timing, too, depends upon knowledge of the market, the general situation of supply and demand, and the need the processor has for the commodity we are marketing.

Problems developed by the members are frequently very difficult to deal with. Members often have strong views concerning such matters as timing, price, and conditions of sale. This is as it should be, for it is the pressure of the members on these various points that induces the Board of Directors to come up with the most satisfactory results.

Perhaps the most serious problem we have experienced with members arises from misinformation given to the member by the cannery field buyer. Not a year has gone by during which we haven't found a number of cannery field buyers who have gone to our members and said their cannery was prepared to pay a higher price than the price named by the Association. Often these statements are in direct conflict with the views of the buyer's company management.

The only solution we have found to the problems that arise from our members - whether induced by a buyer or from the member's own point of view - is to concentrate a great part of our energy upon good membership relations by carrying out extensive and comprehensive educational programs. To give you an idea of the extent to which we go in this instance, I have here a number of charts that we used last season in connection with our membership meetings.



The third point that I would make under negotiating problems deals with outside influences. The principal problem in our experience has been with respect to labor disputes involving either a basic supply, such as sugar, or labor disputes with the processors themselves. This is indeed a touchy situation.

Our Association has made it a policy not to take sides in connection with labor disputes affecting either our processor customers or suppliers. By not participating in the dispute itself, we have found we can act as a common agency through which the disputants can get together. Likewise, it gives us considerable strength with respect to public opinion. We have also found that our influence with both organized labor and the employer is considerably enhanced when we point out the unfairness to the farmer that results from the use of economic force, by either side, at harvest time.

Another problem that we ran into at one time was an investigation of the Association, by processors, for anti-trust and restraint of trade activities. Also, the Peach industry operates under Marketing Orders and sometimes differences of opinion arise between our Association and the State Department of Agriculture.

One point in this connection that might deserve careful study would be a move to authorize some kind of Federal government intervention whenever a strike situation occurs between a processor and his employees during the harvest period of a perishable commodity. Our experience is the grower is the prime sufferer under those circumstances. The farmer works all year in order to sell his crop at harvest time. If he is denied a market for his year's work, because of a labor dispute of a few weeks' duration, he is put in a very unfair position. There is, at present, no relief for this situation.

Summing up, then, I would suggest that problems induced by the customer are best met by knowing as much as he does about the market and the economic conditions affecting our product. With respect to problems arising from our members, we must constantly and repetitiously advise our members concerning the facts about our commodity - whether such information is good or bad news. Thirdly, with respect to problems from the outside, we must anticipate such problems so we can meet them effectively when the time comes.

Now a few brief words about negotiating techniques. After the many years our Association has been operating, we are no longer faced with the problem of recognition from our cannery customers. I believe I can freely say we enjoy not only their recognition but their good will and confidence.

Techniques need to take into account the basic problems of both the buyer and the seller. Over a period of many years, we have developed what we believe to be sound techniques in this regard based upon a knowledge of the influence of economic conditions upon our commodity.



I like to describe negotiating techniques - in plain every day farmer language - as "setting the table properly." Well in advance of the harvest season, we must have reached a reasonable understanding with most of our processor customers concerning the total supply that is at hand. Here we must be confident enough and strong enough to take a firm position, based upon experience, as to what the supply is to be. There are other economic considerations besides the size of the crop that have to be recognized, such as the influence of consumer purchasing power upon our commodity and the estimated prices of competing commodities.

Our Board of Directors looks to management to reach an understanding with our processor customers concerning these 3 important factors - volume, income effect and competitive commodity effect. One technique we have employed has been the interview. A committee of our Board - designated as a Sales Committee - sits down and interviews the President, Sales Manager, or head buyer of a company frankly exchanging ideas with respect to price and the effect of the previously mentioned economic circumstances. The interviews are conducted privately with individual processors and are carried on in confidence. You cannot expect a processor to deal with you frankly and honestly if his views are then transmitted to growers who may use his comments against him. We have found there must be a high standard of mutual confidence and understanding in connection with our negotiations.

We generally know, after these conferences, about where the industry stands, and there is an area of understanding with respect to price as well as the economic conditions that have to bear upon the price. Interesting enough, that same area of understanding seems to exist among the members of our Board of Directors. Upon the completion of these interviews, our negotiations go into the second phase which involves the problems of price acceptance.

The Peach Association, some 6 or 7 years ago, established a principle of "reasonable pricing" in its contract. Also, in our cannery contract, the processor agrees to pay a reasonable price. In order for us to establish a price it must be accepted by 1/3 of the canners with whom we do business including one of our three largest customers. Total purchases of those approving must equal 1/3 of our total volume.

If the first price is rejected, then we will name a "second price" which may be the same as the first or may be different. If this should be rejected, we would have to go into the third stage. We have never actually come to this third stage but it would involve bringing the case to court to determine what is a reasonable price. Here again, economic factors would undoubtedly play an important part in determining what price was reasonable.

Under negotiating techniques, I think it is important to point out that negotiations, as far as possible, should deal only with the subject of price and not with terms of sale. Obviously, when negotiating for both, it is sometimes necessary to give on one point in order to gain on another point. Likewise, keeping too many balls in the air at one time may sometimes lead to a considerable amount of horse trading which is not necessarily conducive to best results. We have overcome this, to a large extent, by selling approximately 1/3 of our total volume to processors under term contracts which are not considered at the same time price is being negotiated.



Summing up then I would suggest that negotiating techniques need to recognize the importance of fair dealing; setting the table properly set by reaching understandings upon important factors that influence price; establishing a relationship of mutual confidence and understanding on the part of both the buyer and the seller; making our objective a reasonable price and having the courage to put it in a contract; and, least of all not keeping too many balls in the air in the same time by bargaining for price and terms at the same time.

## NEGOTIATING PROBLEMS AND TECHNIQUES

Donald R. Nesbitt, Sr., Director  
New York Canning Crop Growers Cooperative  
Batavia, New York

By way of introduction, you may be interested in learning something of the area covered by New York Canning Crop Growers Cooperative, Inc. This is generally the processing tomato growing area of western New York, extending along Lake Erie and Ontario for about 150 miles, and inland from these lakes some 40 miles. In this same general area are also grown the peas and sweet corn for which the co-op is also bargaining agent for its members. These members number some 1,400, and grow crops for some 30 processors. The area is divided into ten sections, each with representation on a Board of Directors, plus two more Directors-at-Large.

Our bargaining activity revolves around three groups:

- 1 - Advisory Committee
- 2 - Policy Committee
- 3 - Processor Bargaining Committee

As I outline our bargaining procedure, using one crop, tomatoes, as an example, I shall try to explain the nature and function of each group.

Prior to contracting time, a meeting of the Advisory Committee is held to decide what should be the co-op's position on terms and prices of contracts to be negotiated. In this case, the committee will be made up of some sixty tomato growers, each representing his section, their number determined on the basis of their section's membership and tonnage grown in prior years. Economic information affecting the general outlook and specifically the tomato outlook will be presented. Labor prospects and the past year's experience will be discussed. General discussion of all aspects which affect growers' feelings about growing the coming year's crop and at what price will be brought out by the members of this committee. Terms general to all contracts will be reviewed.

Following exhaustive discussion of the facts presented and of the known situation in other tomato areas of the country, motions are voted on to see which terms and price seem to meet most general acceptance. Some two or three proposals may seem generally acceptable, and these are voted on with each section chairman casting the votes allotted his section. One proposal is thus adopted as a basis for negotiating and negotiations move into the hands of the Processor Bargaining Committee.

Each tomato processor will now meet with a bargaining committee of the co-op made up of 3 to 5 members who grow tomatoes for that plant. Usually one or two large processors start negotiations with their committee, and the smaller plants wait until they have reached agreement. These then follow suit with a contract following a pattern of price and terms which now appear acceptable to both processor and N.Y.C.C.G.C. Negotiated contracts are recommended for acceptance to the Policy Committee by the bargaining committees and if approved, are stamped, "Approved by N.Y.C.C.G.C.", this stamp having the president's signature. Processor may then proceed to contract with grower members.



Should prolonged negotiations with one or more processors seem to indicate no meeting of minds or no progress toward the recommended aims of the Advisory Committee, this committee may again be called to discuss further their recommended terms and prices. Processor offers by now will have been made to their various committees. N.Y.C.C.G.C. demands may then be revised, or they may be upheld, and negotiations resumed.

As stated before, processor bargaining committees, as a result of their negotiations, recommend contract acceptance to the Policy Committee. They feel these are the best terms and prices they can obtain from their processors. Or they may recommend rejection of the offered contract if they feel terms and price are not up to the demands of the Advisory Committee. In any case, the Policy Committee must then act. As directed by the ByLaws of N.Y.C.C.G.C., this Policy Committee, designated by the Board of Directors from their number, "shall determine and administer all policies relating to bargaining for this specific crop." In the case of tomatoes, this committee numbers five Directors. Their most important decision is usually the approval or rejection of the first contract recommended. They must decide if it falls in line with the goal established by the Advisory Committee, which most closely represents the general feeling of the membership. They must also decide if it is the best that can be obtained from that or any other company. If the contract is approved, not much better terms can be expected from any other processor, unless his growers and bargaining committee feel he must do more because of local or company peculiarities and disadvantages.

Following approval of the first one or two contracts, negotiations are generally quickly completed for other processors, since more than one may wish to sign up a given grower, and all want contracting completed as soon as possible.

I would make a few comments on this procedure - my impressions after several years of operation. In practice, demands of the Advisory Committee have been very practical, and they are democratically representative of all the growers' wishes. They have had a stabilizing influence on the tomato business, lessening the price fluctuations, up as well as down, which processors might by themselves have made from year to year.

Individual bargaining committees for each processor seems a good procedure. Management likes to deal with their own grower, and growers like to pick their own men. These growers are most cognizant of what changes, if any, are needed in that specific contract. Negotiation is a most important job of the organization and able men must be selected. In practice this does result. Normally, the larger processors are first to negotiate, and able men are chosen from many growers. The core of this committee frequently continues from year to year, and with the presence of the Co-op Executive Secretary at the first sessions, very competent negotiations are carried on.

Some disadvantages do result. The territory is large and farmers are sometimes hard to contact. At times this may make for slower decisions than the processor might like and frequently the grower feels the same way. A great amount of gratis time may be spent by individual members of the bargaining committees who negotiate the initial contract. Generally these men have the most at stake, however, since most frequently they are larger growers.

I feel the Policy Committee is necessary for final decisions to be arrived at quickly. In practice, matters of extreme importance have been referred back to the Advisory Committee to insure membership support on the final decisions. These are felt to be important enough to take time in getting this large group together, and as the pressures of prolonged final negotiation mount, growers' feelings may change.

We feel this approach of one buyer to one seller is vastly superior to the way we did tomato contracting prior to the organization of our New York Canning Crop Growers Cooperative. Our Co-op has advanced financially, as have we. We have some tomato growers who are not members, but of these, more and more refuse to sign a contract that has not been approved by N.Y.C.C.G.C. We would hope for more organizations of this type in other areas of the country, and look forward to close cooperation with these groups as they become established. For ourselves, we look forward to growing toward negotiating for crops in addition to the tomatoes, peas and sweet corn we now include.



## NEGOTIATING PROBLEMS AND TECHNIQUES

Cameron Girton, Manager  
California Canning Pear Association  
San Francisco, California

- I. Most cooperative marketing organizations have similar problems, and many use similar techniques to solve these problems.
- II. Some problems that affect cooperative marketing organizations, by their nature, will vary from year to year.
- III. And, of course, some problems are confined to individual organizations.
- I. Some of the problems that affect all of us are:
  1. To have a thorough knowledge of what you have to sell or market.
    - a. Amount: tons, bushels or units.
    - b. Grades and sizes.
    - c. Varieties.
    - d. Time available for marketing.
    - e. Marketing programs.
  2. Grower-members should have a thorough knowledge of their obligations and duties in the marketing of their commodity.
    - a. Accurate and timely reporting to the organization.
    - b. Available supply by grade and variety.
    - c. Thorough knowledge of their performance requirements.
  3. The cooperative marketing group must have thorough knowledge of their customers.
    - a. A list of buyers.
    - b. Financial position of prospective buyers.
    - c. Grower preferences.
    - d. Willingness of buyers to do business with the cooperative marketing organization.
  4. Actual execution of the sale.

To properly execute the successful sale, the cooperative marketing organization should have at its disposal:

    - a. Current marketing information, available supplies.
    - b. Carry-overs.
    - c. Competing crops.
    - d. Buying power.
    - e. Demand of buyers for commodity.

Keep membership well informed.

    - a. Attempt to eliminate rumor.
    - b. Be thoroughly honest in economic information used.
    - c. If meeting with commercial buyers, confer with them individually.
    - d. Keep your remarks with various buyers confidential.
  5. Actual marketing of commodity not complete until the organization performs.
    - a. Live up to your end of the contract.
    - b. Be thorough in having membership conform to contract conditions.
    - c. Continue to strive for quality and fair practice.

II. The aforementioned problems would, I feel, affect all cooperative marketing groups. Some that are peculiar to our own organization are as follows:

1. Two or more varieties.
2. District differentials
3. Fruit sold - some to canners, some fresh.

Discussion following panel on Negotiating Problems and Techniques.

Question: What do you do about growers that break the membership contract?

Cameron Girton and Gerald Marcus both commented that teeth are needed in a contract in order to keep growers in line so that the association will be able to honor its contract with processors.

Question: How did the Processor Service Charge, used by several of the west coast associations, come about?

J. L. Sullivan: It was originally used to bring stability to the industry, and was a way of financing the associations. It was difficult and took time to bring about.

L. T. Powell: We told the canners that the association needs the money.

Question: How do you operate if canners do not announce a price, even when the fruit is ready to pick?

Cameron Girton: We use a continuing contract with a reasonable price clause. Under this arrangement the canners agree to buy the members' crop for a number of years, with the arrangement that the price will be negotiated later.

B. I. Freeman: Both the canner and the grower want the crop, so the growers have to have nerve and hold out.



RESOLUTION OF APPRECIATION

MADE AT THE

CONFERENCE ON FRUIT AND VEGETABLE BARGAINING COOPERATIVES

Edgewater Beach Hotel, Chicago, Illinois  
January 13, 1957

BE IT RESOLVED: That the participants in this Conference of Fruit and Vegetable Bargaining Cooperatives express their appreciation to the Secretary of Agriculture, Ezra Taft Benson, for the assistance given by Joseph G. Knapp, Administrator of the Farmer Cooperative Service, and members of his staff, in arranging and conducting this Conference.

BE IT FURTHER RESOLVED: That their appreciation be expressed to Homer L. Brinkley, Executive Vice-President of the National Council of Farmer Cooperatives, and members of his staff, for their assistance and cooperation.

BE IT FURTHER RESOLVED: That a copy of this resolution be forwarded to the Secretary of Agriculture and to the Executive Vice-President of the National Council of Farmer Cooperatives.

This resolution was made by Mr. Ruel R. Stickney, President of the California Canning Pear Association, Inc., San Francisco, California; seconded by Mr. A. W. Matthews, President of Cannery Growers, Inc., Maumee, Ohio; and passed unanimously.

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES\*

Fruit Bargaining Cooperatives

1. California Canning Peach Association  
Ralph B. Bunje, Manager  
244 California Street  
San Francisco 11, Calif.
2. California Canning Pear Association  
Cameron Girton, Manager  
64 Pine Street  
San Francisco 11, Calif.
3. California Freestone Peach Association  
Charles J. Telford, Manager  
422 Fifteenth Street  
Modesto, Calif.
4. Great Lakes Cherry Producers Marketing Cooperative  
John Handy, President  
Sodus, Mich.
5. Growers Processing Apple Association of Appalachia  
E. Blackburn Moore, Board Chairman  
Martinsburg, W. Va.
6. Michigan Processing Apple Growers Association  
E. W. Mawby, President  
Rockford, Mich.
7. Pacific Northwest Cherry Growers Association  
Ralph Kirby, President  
11 South Seventh Street  
Yakima, Wash.
8. Pacific States Canning Pear Marketing Association  
Ruel R. Stickney, President  
64 Pine Street  
San Francisco 11, Calif.
9. Washington-Oregon Canning Pear Association  
Berkley I. Freeman, Manager  
202 Holtzinger Building  
Yakima, Wash.

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\* This list includes all fruit and vegetable bargaining cooperatives known to have been organized by January 13, 1957. Some of the associations listed, however, are currently inactive and some, because of their recent organization, have not as yet carried through negotiations with processors.



10. Washington Freestone Peach Association  
A. J. Anderson, Manager  
11 South Seventh Avenue  
Yakima, Wash.
11. Western New York Apple Growers Association  
W. J. Klotzbach, Executive Secretary  
272 Alexander Street  
Rochester, N. Y.

Vegetable Bargaining Cooperatives

1. California Tomato Growers Association  
Howard J. Wilson, Manager  
145 South American Street  
Stockton, Calif.
2. Cannery Growers, Inc.  
Chan Connolly, Secretary-Manager  
Box 68  
Maumee, Ohio
3. Cash Crops Cooperative  
Oscar Eis, President  
282 Forest Avenue  
Fond du Lac, Wis.
4. Indiana Tomato Growers  
Elmer Miles, President  
Bunker Hill, Ind.
5. Iowa-Illinois Cannery Growers' Cooperative  
Herbert Ovesen, President  
Wilton Junction, Iowa
6. Michigan Asparagus Growers Cooperative Association  
Myron Dowd, President  
Hartford, Mich.
7. New Jersey Vegetable Growers Cooperative Association  
F. Rene Gossiaux, Jr., Manager  
168 West State Street  
Trenton, N. J.
8. New York Canning Crop Growers Cooperative  
William Stempfle, Manager  
Box 290  
Batavia, N. Y.

9. Northwest Washington Farm Crops Association  
Ace N. Garlinghouse, Executive Secretary  
621 West Division  
Mount Vernon, Wash.
10. Oregon-Washington Pea Growers Association  
L. G. Frazier, President  
Walla Walla, Wash.
11. Shiocton Bargaining Cooperative  
Marvin Knoke, President  
Shiocton, Wis.
12. South Cook County Tomato Growers  
Floyd W. Adair, Committee Chairman  
Route 23  
Chicago Heights, Ill.
13. Utah State Canning Crop Association  
A. W. Chambers, Secretary-Manager  
173 South Main Street  
Logan, Utah
14. Washington Pea Growers Association  
R. T. Magleby, Manager  
Box 615  
Walla Walla, Wash.





